



Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2023

Missouri State Lottery Commission
An Enterprise Fund of the State of Missouri



***MO*Lottery**

**Annual Comprehensive
Financial Report**

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Prepared by Financial and Business Services

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
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Introductory Section



Letter of Transmittal

December 14, 2023

To: Lance Mayfield, Chairperson, Missouri State Lottery Commission
Robert R. Gattermeir, Vice Chair
Nicholas S. Gerth, Member
John Hemeyer, Member
Lester Elder, Executive Director
Citizens of the State of Missouri

Introduction

We are pleased to submit to you this Annual Comprehensive Financial Report of the Missouri State Lottery Commission (the Lottery) for the fiscal year ended June 30, 2023. Management is responsible for the accuracy of the financial data, as well as the completeness and fairness of the information and disclosures within this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the Lottery. We have included all disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities.

The Annual Comprehensive Financial Report presents an overview of the Lottery and is organized into four sections. The Introductory Section includes this letter of transmittal, certificate of achievement and an organizational chart. The Financial Section includes the report of independent auditors, management's discussion and analysis, the basic financial statements with the accompanying notes, and required supplementary information. The Statistical Section presents a variety of historical, demographic and industry data. The final section, Compliance Section, includes a report on internal control and compliance.

Background

The Lottery was created by the passage of a constitutional amendment on November 6, 1984, by the citizens of the State of Missouri. Ticket sales began January 20, 1986, with the introduction of a single scratch-off game, "Jackpot '86." This represented the first legislatively authorized lottery tickets sold in Missouri since the New Franklin Railroad Lottery (later known as the Missouri State Lottery) was closed down in 1877.

When the Lottery began in 1986, proceeds from ticket sales went to the Missouri State General Revenue Fund. In August 1992, voters passed Amendment 11 earmarking Lottery proceeds to solely benefit public education. Each year, the Missouri Legislature determines how these proceeds will be allocated. The proceeds represent about 4 percent of the total funding for Missouri's public elementary, secondary and higher education systems.

Lottery funds help support a variety of programs including the elementary and secondary education Foundation formula, transportation, career ladder, early childhood development and special education services, vocational rehabilitation, residential placements, performance-based assessment program, Classroom Trust Fund, virtual schools, college and university operating budgets, workforce incentives, and veterinary student loan payments. These programs and others that receive Lottery money provide the resources that help Missouri students fulfill their individual dreams — dreams that define Missouri's future and ultimately benefit all Missouri residents.

The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Missouri Revised Statutes. The Department of Revenue has no control, supervision or authority over the actions or decisions of the Lottery. The Lottery Commission consists of five members appointed by the Governor with the advice and consent of the Senate.

The Lottery is an enterprise fund of the State of Missouri and is included in the State's Annual Comprehensive Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

Products

The Lottery provides the opportunity for the public to participate in a variety of instant games ("Scratchers"), Draw Games, and Pull-Tab games. The games are described as follows:

Scratchers Games are played by scratching off a latex coating on the play area of the ticket. There are different ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. If the specified condition occurs, the ticket is an instant winner. These play styles are combined with a variety of game themes and ticket prices. These games were the first type of games offered by the Lottery. For fiscal year 2023, Scratchers ticket sales were \$1,159.3 million, which represents 64.68 percent of total ticket sales.



Draw Games allow players to select the numbers for their wager or players may utilize computer-generated plays (Quick Picks). The player receives a ticket with the numbers selected or automatically generated and must await the results of a drawing to determine if they have matched the numbers and won.

Powerball is a multi-state Draw Game jointly operated by the 39 member lotteries of the Multi-State Lottery Association and sold in 45 states, D.C., Puerto Rico and the U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 69 and one additional number designated as the "Powerball" from a second pool of one to 26. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million. Starting jackpot amounts and jackpot increases for each draw when the jackpot is not won are based on current game sales and interest rates. There are eight secondary prizes of fixed amounts, ranging from \$4 to \$1,000,000. The Power Play feature allows players the chance to increase the original prize amount, excluding the jackpot prize. Players who use Power Play and match all five white-ball numbers automatically win \$2 million. The Double Play feature allows Powerball players to play their numbers in a second drawing for an additional \$1 per play for prizes ranging from \$7 to \$10,000,000. A jackpot winner may select either an annuitized prize paid over 29 years (30 payments) or a lump-sum payment. Drawings are held every Monday, Wednesday and Saturday night. Powerball sales for fiscal year 2023 were approximately \$109.1 million, which represents 6.09 percent of total ticket sales.



Missouri Lotto is the original in-state Draw Game that creates millionaires. Twice a week, on Wednesdays and Saturdays, Lotto players have a chance to win \$1 million or more. Players select six numbers from a pool of one to 44 and must match all six numbers to win the jackpot. Prizes are also paid for matching three, four or five numbers. The jackpot starts at \$1 million and increases, based upon ticket sales, for each subsequent draw when the jackpot is not won. Jackpot winners may select either an annuitized prize over 24 years (25 payments) or a lump-sum payment. Lotto Doubler gives players the chance to double their non-jackpot winnings whenever a Lotto ticket is purchased. Through a random process, the Lottery designates certain Lotto tickets as Doubler tickets. There is no additional cost for the Doubler feature. Players can add EZ Match for an additional \$1 per Lotto play. If the EZ Match option is chosen, six EZ Match numbers print on the Lotto ticket below the Lotto numbers. If any of the EZ Match numbers match the Lotto numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Lotto and EZ Match sales were approximately \$18.9 million and \$.7 million in fiscal year 2023, representing 1.06 percent and 0.04 percent of total ticket sales, respectively.

Show Me Cash replaced Show Me 5 Paydown in September of 2008. Players select five numbers from a pool of one to 39 and must match all five numbers to win the jackpot. The jackpot starts at \$50,000, and if no player matches all five numbers, the top prize increases based on ticket sales. Prizes are also paid for matching two, three or four numbers. Drawings are held daily. Players can add EZ Match for an additional \$1 per Show Me Cash play. If the EZ Match option is chosen, five EZ Match numbers print on the Show Me Cash ticket below the Show Me Cash numbers. If any of the EZ Match numbers match the Show Me Cash numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Fiscal year 2023 Show Me Cash and EZ Match sales were approximately \$26.2 million and \$1.8 million, or 1.46 percent and 0.10 percent of total ticket sales, respectively.



With Pick 3, players select three numbers between zero and nine and can play the numbers straight (numbers in the exact order), boxed (numbers in any order), front/back pair (match the exact order of the first or last two digits), or combo (provides the player all possible number combinations of the three numbers drawn for exact-order win). Wild Ball replaced the 1-Off add-on feature in April 2023. Wild Ball is an option that replaces any of the winning Pick 3 numbers with the Wild Ball number to create more winning combinations and more ways to win. The Wild Ball is drawn immediately following each Pick 3 drawing. Players can even win multiple Wild Ball prizes on the same play. Players can add EZ Match for an additional \$1 per Pick 3 play. If the EZ Match option is chosen, three EZ Match numbers print on the Pick 3 ticket below the Pick 3 numbers. If any of the EZ Match numbers match the Pick 3 numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Drawings are conducted twice per day. For fiscal year 2023, Pick 3 and EZ Match sales were \$100.0 million and \$.5 million, which was 5.58 percent and 0.03 percent of total ticket sales, respectively.

Pick 4 is played similar to Pick 3 with players selecting four numbers between zero and nine. Players may play the numbers straight, boxed, front/middle/back pair, front/back three (match the exact order of the first or last three digits), or combo (provides the player all possible number combinations of the four numbers drawn for exact-order win). Similar to Pick 3, Wild Ball replaced the 1-Off add-on feature in April 2023.



Wild Ball is an option that replaces any of the winning Pick 4 numbers with the Wild Ball number to create more winning combinations and more ways to win. The Wild Ball is drawn immediately following each Pick 4 drawing. Players can even win multiple Wild Ball prizes on the same play. Players can also add EZ Match to Pick 4 for an additional \$1 per Pick 4 play. Drawings are conducted twice per day for Pick 4. Fiscal year 2023 Pick 4 and EZ Match sales were \$68.8 million and \$.4 million, or 3.84 percent and 0.02 percent of total ticket sales, respectively.



Club Keno is a Draw Game offered in all Missouri Lottery retail locations and provides drawings every four minutes. Players first choose how many different numbers (also called "spots") they wish to play from one to 10. The player must then choose a number from one to 80 for each spot. Twenty numbers from the pool of one to 80 are chosen in a computerized random Club Keno drawing. Prizes vary depending on how many spots a player chooses and how many of the players' numbers match the numbers drawn. Club

Keno also offers Multiplier, Bulls-Eye, Progressive Jackpot and Double Bulls-Eye features. For fiscal year 2023, Club Keno sales were \$50.8 million, which was 2.83 percent of total ticket sales.

Mega Millions is a multi-state Draw Game available for sale in 45 states, D.C. and the U.S. Virgin Islands. Players select five different numbers from a pool of one to 70 then select one Mega Ball number between one and 25. The minimum jackpot amount is \$20 million. Starting jackpot amounts and jackpot increases for each draw when the jackpot is not won are based on current game sales and interest rates. All six numbers must be matched to win the jackpot. There are eight secondary prizes of fixed amounts ranging from \$2 to \$1,000,000. Players have the option to select the Megaplier feature that will increase



the non-jackpot prize winnings by two, three, four or five times their original amount. A jackpot winner may select a lump-sum payment or an annuity paid over 29 years (30 payments). Drawings are held every Tuesday and Friday night. Mega Millions sales for fiscal year 2023 were approximately \$82.5 million, which represents 4.60 percent of total ticket sales.

Cash4Life replaced Lucky for Life in April of 2021. Cash4Life is the Lottery's newest multi-state Draw Game and is currently offered in ten states. For \$2, the game features a top prize of \$1,000 a day for life, second prize of \$1,000 a week for life, 9 ways to win, and chances of winning a prize at 1 in 8. Top and second prize winners may select either an annuitized prize over a minimum of 20 years or a lump-sum payment. Players select five numbers from one to 60 then one number (the Cash Ball) from one to 4. Drawings are held seven nights a week. Players can add EZ Match for an additional \$1 per Cash4Life play. If any of the EZ Match numbers match the selected five white-ball Cash4Life numbers (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Fiscal year 2023 Cash4Life and EZ Match sales were \$10.4 million and \$.6 million, or .58 percent and 0.03 percent of total ticket sales, respectively.



Cash Pop is the Lottery's newest in-state Draw Game. Sales began in May of 2022. Cash Pop is drawn daily at 8 AM, 11 AM, 3 PM, 7 PM and 11 PM. Players select the "pops" or numbers they want to play from 1 to 15 (or select a quick pick option), select the dollar amount to play per pop (\$1, \$2, \$5 or \$10 per play) and choose how many drawings they want to play (up to 15 drawings). Prizes start out at five times the wager amount per pop and can range up to \$2,500 (based on wager amount per pop). Cash Pop sales for fiscal year 2023 were approximately \$14.0 million, which represents .78 percent of total ticket sales.

Pull-Tabs were re-introduced in October of 2013 using new dispensers that allow for better security and accounting. Pull-Tabs are Lottery tickets with tabs that are pulled open to reveal cash prizes. Players also have the option to play through the dispenser's interactive touch-screen. The cost of the tickets is \$1, \$2 or \$3 and the top prize is \$600. During fiscal year 2023, sales from this product line were approximately \$148.3 million, or 8.27 percent of total ticket sales.



Highlights of The Past Year

Ticket sales for the Lottery surpassed the \$1 billion mark for the thirteenth year in a row and were the second highest in Lottery history. Fiscal year 2023 sales of \$1.792 billion were slightly ahead of fiscal year 2022 sales of \$1.780 billion by \$12.3 million, or .69 percent. Scratchers sales were down \$36.1 million, Pull-Tab sales were down \$10.3 million, and Draw Games sales were up \$58.6 million compared to previous year levels.

For fiscal year 2023, the level of operating expenses decreased by .5 percent. Total operating expenses decreased from \$1,425.0 million in fiscal year 2022 to \$1,417.5 million in fiscal year 2023. The decrease is attributable mainly to Scratchers and Pull-Tab prizes which were offset by an increase in Draw Games prizes. The Lottery continues to operate with one of the lowest administrative cost ratios in the country. The net impact of these results for fiscal year 2023 was the highest actual cash transfer of profits to public education in Lottery history of \$425.0 million, up from fiscal year 2022's actual cash transfer of \$400.3 million. In addition, the Lottery returned \$1,253.6 million to players in cash and prizes and \$104.8 million to retailers in commissions and incentives for the 2023 fiscal year.

Management's discussion and analysis (MD&A) can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The Lottery's MD&A complements this letter of transmittal and should be read in conjunction with it.

In addition to financial accomplishments, other noteworthy accomplishments during fiscal year 2023 included:

- Record proceeds to education.
- Minority- and women-owned business expenditure participation rates of 11.83 percent and 3.91 percent, respectively.

Economic Conditions and Outlook

The U.S. and Missouri economies grew significantly in 2022. While exhibiting growth in most areas, there are still some signs that economic growth is very uneven due to inflationary pressures in some sectors.

During calendar year 2022, Missouri's Gross Domestic Product ("GDP") totaled over \$389.9 billion (current dollars) which was an increase of 8.7 percent from 2021. Missouri had the 22nd largest GDP among the states in 2022 and, of the surrounding states, only Illinois (5th) and Tennessee (16th) have larger economies than Missouri. The U.S. GDP increased 9.5 percent during the same period with all 50 states experiencing GDP increases. This continued economic rebound in GDP is due to the easing in pandemic shut down responses, restrictions and supply chain issues.

Exports from Missouri continue to expand and were up 4.8 percent in fiscal year 2023 after increasing a modest 0.5 percent in fiscal year 2022 (fiscal year 2023 ran from July 2022 through June 2023). Missouri exports products to many countries. Canada, Mexico and Germany are the three largest trading partners, providing nearly half of the export income. Missouri exports include agricultural (meat, soybeans and corn) products, animal foods, metals/ores, boats and vehicles.

The unemployment rate in Missouri has continued to remain near historic lows. The Missouri rate at the end of fiscal year 2023 was 2.6 percent, which was up from 2.2 percent at the start of the fiscal year. The average monthly unemployment during fiscal year 2023 was 2.6 percent, which is below the 10-year average of 4.3 percent. The unemployment rate in Missouri generally follows the national unemployment trend, though the more recent trend has Missouri faring slightly better than the total U.S. unemployment rate. The U.S. unemployment rate was 3.6 percent at the end of the fiscal year, up from 3.5 percent at the start of the fiscal year, averaging 3.6 percent monthly.

Consumer spending in the U.S., which makes up approximately 70 percent of the economy, rose 12.5 percent, while disposable income increased 2.4 percent in 2022, leading to inflationary pressures on Missouri consumers. Consumer spending in Missouri increased 2.6 percent with disposable income rising 2.4 percent, so Missourians' purchasing power increased at about the same rate as the U.S. overall.

Per capita personal income in Missouri rose to \$56,551, which is a 2.2 percent increase in 2022. Missouri had the seventh lowest cost of living index in the U.S. as of the second quarter of 2023 at 89.9, a slight increase from the 88.3 index in first quarter of 2022. The cost of living statistics indicate that Missouri continues to be a very affordable place to live.

In fiscal year 2023, gasoline prices fluctuated between \$2.70 and \$4.60 per gallon, with the weekly average being \$3.33 per gallon. That is up ever so slightly from the fiscal year 2022 average price per gallon of \$3.33 – an increase of nearly \$0.01 or 0.2 percent in the weekly average price per gallon. The fuel prices increased after some mid-year easing; the increased prices were due to decreased oil production quotas from OPEC.

The three major U.S. stock markets all experienced a year of solid double-digit growth in fiscal year 2023 despite some sporadic fluctuations. The markets generally accepted the realities of the Federal Reserve interest rate increases, which have eased some of the inflationary pressures. The market expected these rate increases so there was not much impact to trading. The Dow Jones (DJIA) ended the fiscal year at 34,408, which was up 10.6 percent. The S&P 500 ended the year at 4,450, which was up 16.3 percent, while the NASDAQ ended the year at 13,789, which was up 23.9 percent. The markets essentially recouped the losses from the previous year.

The economic signs indicate that Missouri Lottery sales could likely decline in fiscal year 2024 due to a modestly restored advertising budget, continued loss of our community events budget and the uneven nature of the economy as it continues to recover from the COVID-19 pandemic impacts and struggles with inflation pressures. The Federal Reserve's raising of the interest rates seems to be slowing inflation without causing widespread unemployment, which is historically the case. Having gained new players during the pandemic, as

| Workforce Demographics | Missouri | U.S. |
|---------------------------------------|-----------|-------------|
| Population | 6,177,957 | 333,287,557 |
| Civilian Labor Force | 3,879,757 | 210,304,448 |
| Average monthly employment | 2,478,144 | 128,346,299 |
| Average Unemployment Rate | 3.7% | 4.2% |
| Unemployment Rate - High | 4.3% | 5.4% |
| Unemployment Rate - Low | 2.8% | 3.6% |
| Female | 50.6% | 50.4% |
| Male | 49.4% | 49.6% |
| Non-white | 17.5% | 24.5% |
| Hispanic or Latino | 4.8% | 19.1% |
| Ages 65 & older | 18.0% | 17.3% |
| With disabilities (ages 18-64) | 10.2% | 8.7% |
| Below Poverty Levels (ages 18-64) | 13.2% | 11.5% |
| Bachelor's degree or higher (Age 25+) | 30.7% | 33.7% |

well as continuing to make improvements to our gaming offerings, the Lottery was still able to have our second best sales year and record transfer for public education in Missouri in fiscal year 2023.

For fiscal year 2024, the Lottery was able to secure a modest restoration of its advertising budget. With the increased advertising budget, the Lottery will be able to focus on a few products this fiscal year rather than just one campaign as we have over the past couple of fiscal years. A dedicated Responsible Gaming appropriation will also allow for more marketing support for the Bets Off help line, on behalf of the Missouri Alliance to Curb Problem Gambling. The Lottery will also continue to support our player base by continuously improving our website, player loyalty program and mobile app.

Relevant Financial Policies

Budgetary Controls

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. Expenditures of the Lottery are subject to this annual appropriation process. Certain costs of operations for the Lottery are paid directly by the Missouri Office of Administration through appropriations administered by that agency. These costs include employee benefits, select capital improvements projects and certain facility-related costs.

Expenses associated with the operation of the Lottery are submitted for payment through the statewide accounting system. The Lottery maintains its own signature authority for payment of prizes through an imprest checking account. The Lottery has its own purchasing authority and has adopted the same rules and procedures as that of the Office of Administration, Division of Purchasing.

All profits from Lottery operations are designated for appropriation by the State solely for the institutions of public elementary, secondary and higher education. The Lottery makes estimated weekly transfers to the Lottery Proceeds Fund with a monthly transfer adjustment done based on calculated net income for the month.

Debt Administration

The Lottery's long-term liabilities are primarily payments owed to multi-year prize winners in the form of annual payments, net pension and OPEB liabilities, and obligations related to leases and subscription-based information technology arrangements. The multi-year prize payments are fully funded by U.S. Treasury Strips held by the State of Missouri. The payments due to Powerball and Mega Millions jackpot winners are funded through securities purchased and held by the Multi-State Lottery Association. As such, the Lottery does not record, and the financial statements do not reflect, a liability for future payments of Powerball and Mega Millions prizes funded by the Multi-State Lottery Association. The financial statements also do not reflect annuity contracts purchased from selected insurance companies to fund for-life prizes, as it is the intent of the Lottery that the insurance companies will make future installment payments directly to each prize winner.

Internal Control Environment

Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misappropriation. The internal control system is also designed to ensure that the accounting system provides accurate and timely financial information and that the Lottery is in compliance with applicable laws and regulations. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

To enhance controls over accounting procedures, the Lottery has segregated appropriate functions, where feasible, and added additional administrative reviews of areas not clearly segregated to ensure compliance with established control policies.

Section 313.315 of the Missouri Revised Statutes requires the State Auditor to conduct a biennial audit of all accounts and transactions of the Lottery, and such other special audits, as it may deem necessary. The Lottery is also required to employ an independent firm of accountants to conduct an annual audit of all accounts and transactions of the Lottery. This audit includes consideration of internal controls over financial reporting as they relate to the expression of an opinion on the financial statements.

In addition, the Lottery has from time-to-time, employed the services of other qualified external firms to conduct reviews of our security procedures for data processing and controls with game operations. The Lottery also created a full-time internal auditor position within the Division of Operations beginning May 2018.

Government Finance Officers Association Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Missouri State Lottery Commission for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 23rd consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report reflects our commitment to maintain the highest standards of public accountability. We reaffirm our commitment to continually improve our financial management and maintain the public's trust by exhibiting the highest ethical standards and uncompromising integrity. Publication of this report could not have been accomplished without the dedicated efforts of our employees, especially those within the Financial Accounting Section. We would also like to recognize Commission Chairperson Lance Mayfield, Vice Chair Robert (Bob) Gattermeir, and Commissioners Nicholas Gerth and John Hemeyer for their support, guidance and dedication in operating the Missouri Lottery Commission in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Judy Martin". The signature is fluid and cursive, with the first name "Judy" being more prominent than the last name "Martin".

Judy Martin, CPA
Deputy Director and Chief Financial Officer
Missouri State Lottery Commission



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Missouri State Lottery Commission

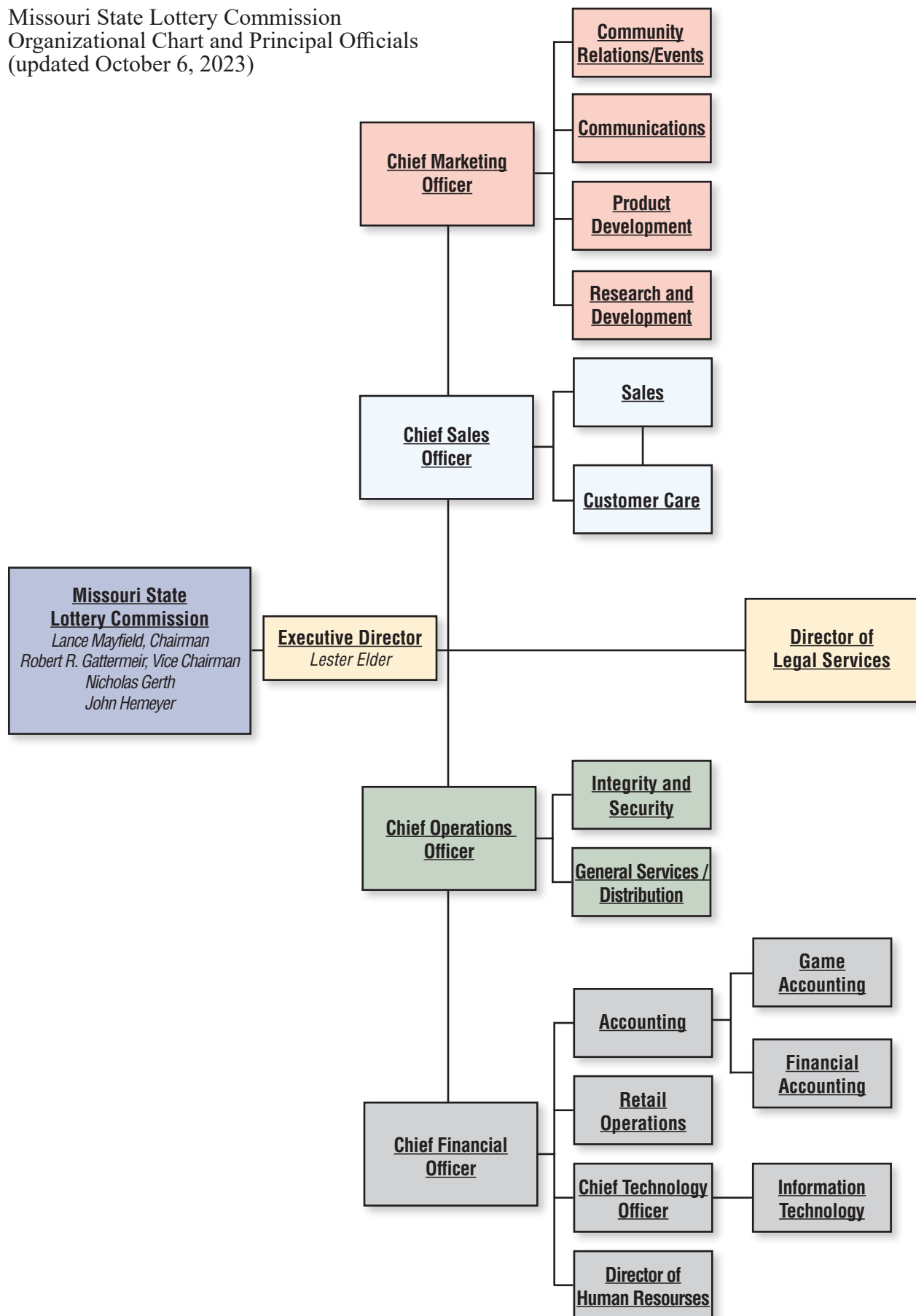
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Missouri State Lottery Commission
Organizational Chart and Principal Officials
(updated October 6, 2023)





**Financial
Section**



INDEPENDENT AUDITORS' REPORT

Missouri State Lottery Commission
Jefferson City, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Missouri State Lottery Commission, an enterprise fund of the State of Missouri, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Missouri State Lottery Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri State Lottery Commission, as of June 30, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Missouri State Lottery Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Missouri State Lottery Commission and do not purport to, and do not, present fairly the financial position of the State of Missouri, as of June 30, 2023, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Missouri State Lottery Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and other post-employment benefits plan schedules to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of the Missouri State Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Missouri State Lottery Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missouri State Lottery Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Louis, Missouri
December 14, 2023

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) provides an overview of the Missouri State Lottery Commission's (the Lottery) financial performance and financial activities for the fiscal year ended June 30, 2023. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements.

Financial Statements Presented in This Report

The Lottery is a Type III division of the State of Missouri, created to generate revenues for public education through the operation of a lottery. The Lottery's activities are accounted for as an enterprise fund using the accrual basis of accounting, which is comparable to the method used by private business entities. The Lottery is an enterprise fund of the State of Missouri and is included in the State's Annual Comprehensive Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

This annual report includes three financial statements for the fiscal year ended June 30, 2023. The Statement of Net Position provides information on the nature and amount of the Lottery's assets, liabilities, deferred outflows and inflows, and net position at the end of the fiscal year and provides a measure of the Lottery's economic resources. The Statement of Revenues, Expenses and Changes in Net Position reflects the operating and non-operating revenues and expenses and the changes in net position for the year. The Statement of Cash Flows reconciles the changes in cash and cash equivalents with the activities of the Lottery for the year.

The Notes to the Basic Financial Statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

Financial Analysis
Summary of Net Position

| | As of June 30, | |
|---|------------------------------|------------------------------|
| | 2023 | 2022 |
| Assets | | |
| Current assets | \$116,975,460 | \$152,195,891 |
| Capital assets (net of accumulated depreciation and amortization) | 3,361,700 | 2,702,721 |
| Investments held for grand-prize winners at fair value - noncurrent | 24,871,344 | 28,012,860 |
| Total Assets | <u>145,208,504</u> | <u>182,911,472</u> |
| Deferred Outflows | | |
| Deferred outflows - pension and OPEB | 4,995,029 | 4,160,798 |
| Total Deferred Outflows | <u>4,995,029</u> | <u>4,160,798</u> |
| Liabilities | | |
| Current liabilities | 105,511,680 | 141,630,574 |
| Long-term liabilities | 71,985,828 | 68,247,371 |
| Total Liabilities | <u>177,497,508</u> | <u>209,877,945</u> |
| Deferred Inflows | | |
| Deferred inflows - pension and OPEB | 2,291,418 | 4,630,779 |
| Total Deferred Inflows | <u>2,291,418</u> | <u>4,630,779</u> |
| Net Position | | |
| Investment in capital assets | 1,983,716 | 1,272,391 |
| Unrestricted | (31,569,109) | (28,708,846) |
| Total Net Position | <u><u>\$(29,585,393)</u></u> | <u><u>\$(27,436,455)</u></u> |

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Current Assets

Current assets consist primarily of cash and cash equivalents, accounts receivable from retailers and the current portion (maturing within one year) of investments held in United States guaranteed marketable securities on behalf of past grand-prize winners. In fiscal year 2023, current assets decreased by \$35,220,431 due to a decrease in cash and cash equivalents. The decrease in cash balances can be explained by timing of transfers to the Lottery Proceeds Fund. In June of 2022, \$39.3 million in Lottery proceeds could not be transferred due to inadequate appropriation authority. This amount was carried over and transferred at the beginning of fiscal year 2023. In June of fiscal year 2023, only \$.7 million was unable to be transferred due to inadequate appropriation authority.

Noncurrent Assets

Investments held for grand-prize winners represents the fair value of the investments held in United States guaranteed marketable securities on behalf of past grand-prize winners that mature beyond one year. These investments were purchased to fund the annual payments for winners that were required to or elected to receive annuity payments and consist of United States Government-backed obligations of zero coupon bonds and stripped securities that equal the face amount of the bond or security upon maturity. Originally, winners of jackpots were required to receive annuity payments. Subsequently, winners were allowed to elect a lump-sum payment instead of a long-term annuity. Since this option has been available, the trend among winners has generally been to elect the lump-sum payment and, therefore, fewer purchases of securities have been required. In fiscal year 2023, this category decreased by \$3,141,516.

Capital assets consist of land, buildings, automobiles, computers and software, other equipment, lease buildings and lease equipment, and subscription assets and is reported net of all related accumulated depreciation and amortization. In fiscal year 2023, the level of capital assets increased by \$658,979 due mainly to the implementation of GASB 96 and the corresponding recognition of subscription-based information technology arrangements as assets.

Deferred Outflows

Deferred outflows represent pension and other post-employment benefit contributions made subsequent to the measurement date, differences between expected and actual experience related to pensions and other post-employment benefits, differences between projected and actual investment earnings on pension and other post-employment benefit plan investments, and changes in pension and other post-employment benefit plan assumptions. In fiscal year 2023, this category increased by \$834,231 due mainly to the difference between projected and actual earnings on pension plan investments.

Current Liabilities

Current liabilities consist primarily of accrued prize liabilities, other accrued expenses, amounts due to the Lottery Proceeds Fund, the current portion of obligations related to leases and subscription-based information technology arrangements, and accounts payable to suppliers. In fiscal year 2023, current liabilities decreased by \$36,118,894 which was the result of decreases in the amounts due to the Lottery Proceeds Fund of \$29,648,827 and accrued prize liabilities of \$6,154,828.

Long-Term Liabilities

Long-term liabilities include the long-term portion of amounts payable to grand-prize winners, the deferred portion of the amount due to the Lottery Proceeds Fund, the long-term portion of obligations related to leases and subscription-based information technology arrangements, and net pension and OPEB liability. For fiscal year 2023, long-term liabilities increased by \$3,738,457 due mainly to an increase in net pension liability. The deferred amount due to the Lottery Proceeds Fund represents the net book value (cost less accumulated depreciation) of capital assets acquired after September 1, 1988, and all amounts receivable from the Multi-State Lottery Association.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Deferred Inflows

Deferred inflows represent differences between expected and actual experience related to pensions and other post-employment benefits, differences between projected and actual investment earnings on pension and other post-employment benefit plan investments, changes in proportion and differences between lottery contributions and proportionate share of contributions, and changes in pension and other post-employment benefit plan assumptions.

For fiscal year 2023, this category decreased by \$2,339,361 due mainly to a decrease related to the difference between projected and actual earnings on pension plan investments offset by an increase related to OPEB changes of assumptions.

Net Position

Net position invested in capital assets represents the capital assets, less related liabilities, used to provide services to the public, and is therefore not available for future spending. Restricted net position is the cumulative result of increased fair market value of the United States guaranteed marketable securities held by the Lottery to pay prize winners on an annuity basis. For the years ending June 30, 2023 and June 30, 2022 the prize liability exceeded the fair value of investments. As a result, the negative restricted net position is presented as unrestricted net position.

Summary of Changes in Net Position

| | For the Year Ended June 30, | |
|---|-----------------------------|------------------------|
| | 2023 | 2022 |
| Operating Revenues | | |
| Ticket sales | \$ 1,792,215,759 | \$ 1,779,945,341 |
| Other operating revenues | 379,994 | 128,698 |
| Total Operating Revenues | <u>1,792,595,753</u> | <u>1,780,074,039</u> |
| Operating Expenses | | |
| Direct costs | | |
| Prize expense | 1,253,562,355 | 1,264,391,793 |
| Retailer commissions and incentives | 104,801,282 | 104,209,764 |
| Other direct costs | 34,679,829 | 32,292,593 |
| Total direct costs | <u>1,393,043,466</u> | <u>1,400,894,150</u> |
| Administrative expenses | 24,432,280 | 24,093,306 |
| Total Operating Expenses | <u>1,417,475,746</u> | <u>1,424,987,456</u> |
| Operating Income | <u>375,120,007</u> | <u>355,086,583</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest income | \$ 1,070,950 | \$ 196,410 |
| Gain (Loss) on sale of capital assets | 53,292 | 36,316 |
| Unclaimed prizes | 19,687,962 | 29,134,511 |
| Transfers to the State of Missouri | (396,865,395) | (386,434,609) |
| Amortization of grand-prize winner liability | (999,338) | (1,085,616) |
| Net increase (decrease) in the fair value of investments held for grand-prize winners | (364,776) | (2,877,399) |
| Net Nonoperating Revenues (Expenses) | <u>(377,417,305)</u> | <u>(361,030,387)</u> |
| Changes in Net Position | <u>(2,297,298)</u> | <u>(5,943,804)</u> |
| Total Net Position, Beginning of Year | <u>(27,436,455)</u> | <u>(21,492,651)</u> |
| Prior Period Adjustment | <u>148,360</u> | <u>—</u> |
| Total Net Position, End of Year | <u>\$ (29,585,393)</u> | <u>\$ (27,436,455)</u> |

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Changes in net position are the result of fluctuations in market yields, which increase or reduce the unrealized gain on investments. In fiscal year 2023, a prior period adjustment was recorded to establish the Lottery's subscription-based information technology arrangements pursuant to GASB 96.

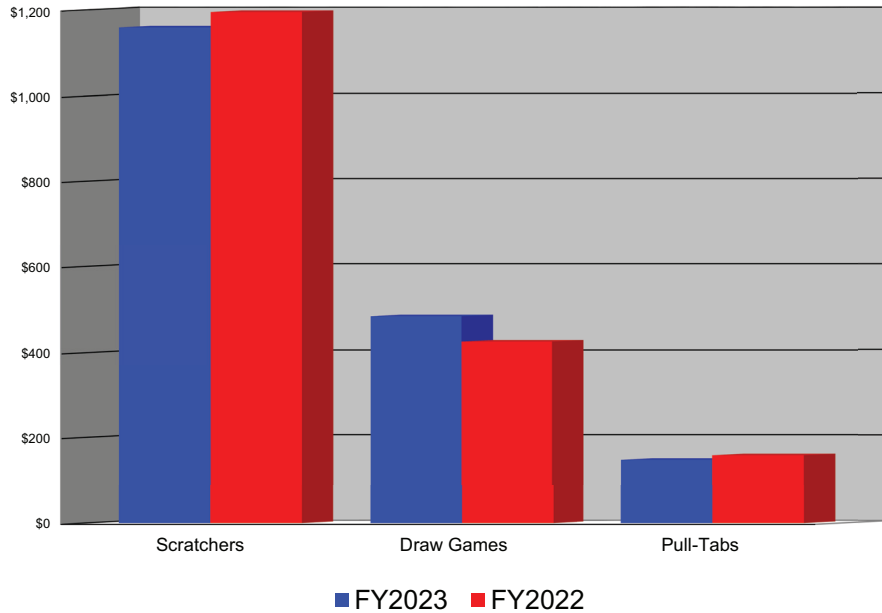
Because the Lottery is required to transfer its net income (excluding unrealized gain or loss on investments, amortization of grand-prize winner liability, and changes in net position related to pensions and OPEB) to the Lottery Proceeds Fund, the changes in net position do not reflect the results of the Lottery's operating activities. The amounts reported as Transfers to the State of Missouri reflect the Lottery's operating activities for the fiscal years.

Operating Revenues

| | For the Year Ended June 30, | |
|--------------------------|-----------------------------|-----------------|
| | 2023 | 2022 |
| Sales by Game | | |
| Scratchers | \$1,159,257,494 | \$1,195,318,049 |
| Draw Games | | |
| Lotto | 18,915,646 | 19,759,831 |
| Pick 3 | 100,012,015 | 103,805,730 |
| Powerball | 109,115,349 | 89,999,012 |
| Show Me Cash | 26,163,775 | 25,194,858 |
| Pick 4 | 68,818,082 | 70,994,468 |
| Club Keno | 50,802,774 | 56,508,126 |
| Mega Millions | 82,504,727 | 40,708,465 |
| EZ Match-Show Me Cash | 1,817,029 | 1,871,957 |
| EZ Match-Lotto | 738,349 | 738,795 |
| EZ Match-Pick 3 | 461,554 | 506,609 |
| EZ Match-Pick 4 | 387,158 | 417,919 |
| Cash4Life | 10,418,724 | 12,603,155 |
| EZ Match-Cash4Life | 573,976 | 757,391 |
| Cash Pop | 13,975,751 | 2,248,608 |
| Total Draw Games | 484,704,909 | 426,114,924 |
| Pull-Tabs | 148,253,356 | 158,512,368 |
| Other operating income | 379,994 | 128,698 |
| Total operating revenues | \$1,792,595,753 | \$1,780,074,039 |

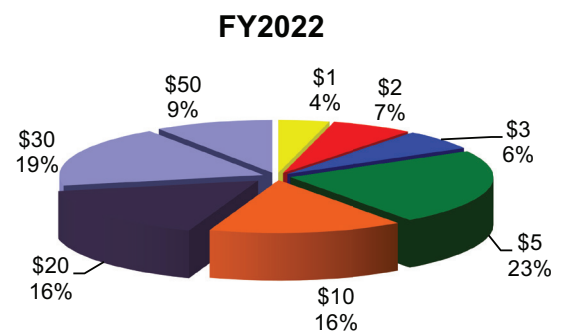
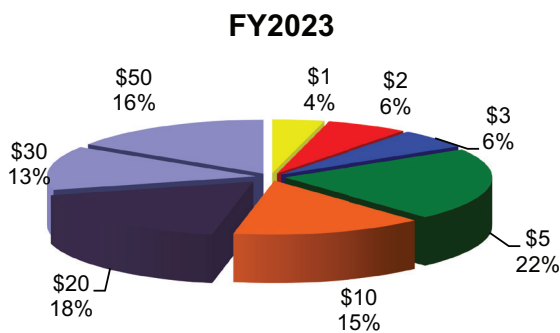
Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Lottery Sales By Product
in millions



Ticket sales in fiscal year 2023 were ahead of fiscal year 2022 levels by \$12.3 million, or .7 percent. Scratchers sales decreased by \$36.1 million, or 3.0 percent. Draw Games sales increased by \$58.6 million, or 13.8 percent. Pull-Tab sales decreased by \$10.3 million, or 6.5 percent.

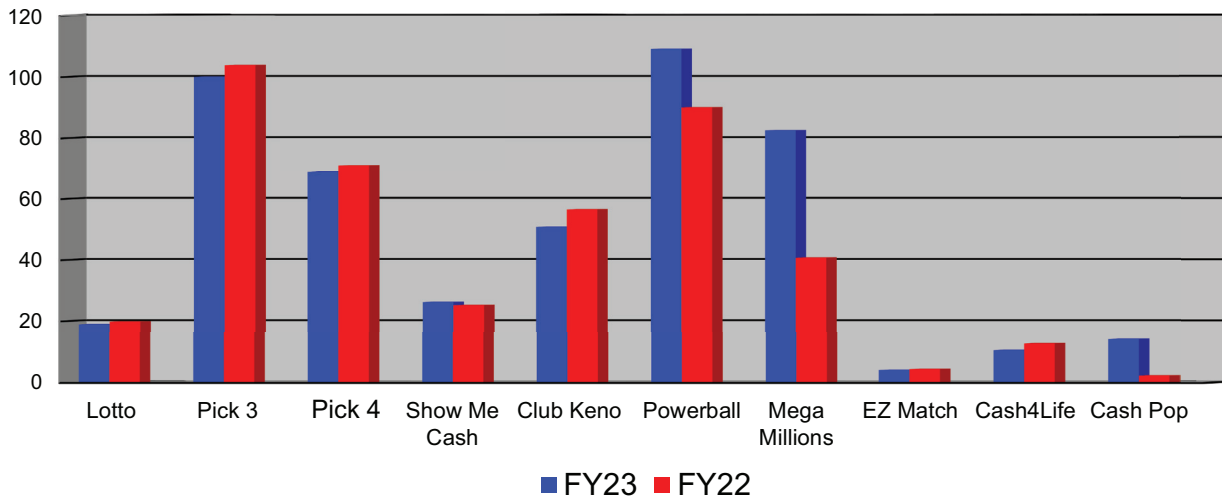
Sales of every Scratchers price point were down in fiscal year 2023 except the \$50 ticket which was launched for the first time in January 2022 and increased sales by \$71.4 million in its first full year of sales, and the \$20 price point which increased in sales by \$11.4 million. These increases were offset by decreases of \$1.7 million, \$4.0 million, \$6.7 million, \$22.8 million, \$11.9 million and \$71.8 million in the \$1, \$2, \$3, \$5, \$10 and \$30 price points, respectively.



Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Scratchers Ticket Sales By Price Point

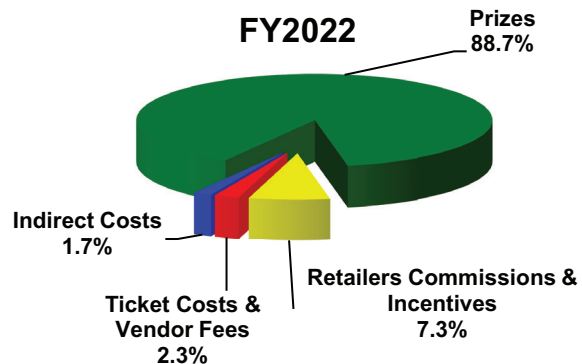
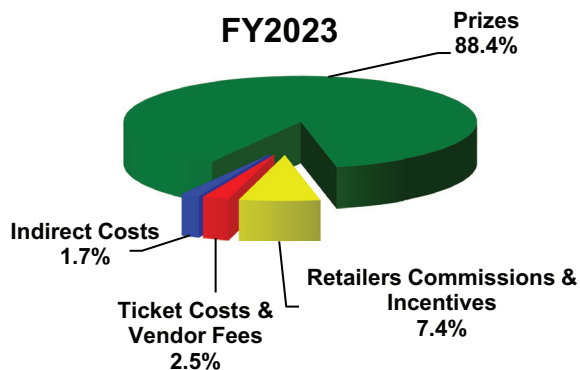


Draw Game Sales By Game
in millions

Total Draw Game sales increased by \$58.6 million in fiscal year 2023 largely due to Powerball and Mega Millions sales. The first full year of Cash Pop sales and a slight increase in Show Me Cash sales contributed to the increase. Lotto, Pick 3, Pick 4, Club Keno, Cash4Life and EZ Match games all had decreased sales from the prior year.

Operating Expenses

| | For the Year Ended June 30, | |
|-------------------------------------|-----------------------------|-----------------|
| | 2023 | 2022 |
| Direct Expenses | | |
| Prizes | \$1,253,562,355 | \$1,264,391,793 |
| Retailer commissions and incentives | 104,801,282 | 104,209,764 |
| Tickets | 10,411,382 | 10,196,819 |
| Draw Game vendor fees | 19,061,894 | 16,321,785 |
| Pull-Tab vendor fees | 5,206,553 | 5,773,989 |
| Other Operating Expenses | | |
| Advertising | 399,973 | 400,000 |
| Wages and benefits | 13,753,536 | 12,992,031 |
| Other general and administrative | 8,765,747 | 9,508,551 |
| Depreciation and amortization | 1,513,025 | 1,192,724 |



Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Direct Expenses

Most costs and expenses that comprise direct expenses are related to specific games and, thus, vary proportionately with the change in sales of the related game. However, some variability does occur due to the nature of some expenses and activities, events and programs, which may occur during any period of time. These expenses include prize expenses, retailer commissions and incentives, Scratchers ticket printing costs and Draw Game and Pull-Tab vendor fees.

Of the Lottery's total operating expenses of \$1,417.5 million in fiscal year 2023, \$1,393.0 million, or 98.3 percent, are game-related, or direct, expenses. Of the Lottery's total operating expenses of \$1,425.0 million in fiscal year 2022, \$1,400.9 million, or 98.3 percent, are game-related, or direct, expenses.

Prize expense for fiscal year 2023 decreased by \$10.8 million, or .9 percent, while ticket sales increased by .7 percent. The variance between the percentage decrease in prize expense and the percentage increase in sales reflects the product mix of games sold and the corresponding prize structure. Draw Games have a lower prize structure compared to Scratchers and Pull-Tabs; Draw Games sales increased while Scratchers and Pull-Tabs sales decreased.

Retailer commissions and incentives in fiscal year 2023 increased by \$.6 million, or .6 percent. These categories and results more closely follow the sales trends than prize expense. Variations will occur due to additional promotional activity to promote selected games and the number of jackpots won during the year.

Scratchers ticket printing expenses increased in fiscal year 2023 by \$.2 million, or 2.1 percent, even though Scratchers ticket sales decreased 3.0 percent, due to more special printing effects utilized in fiscal year 2023, such as holographic paper and platinum foil.

Draw Game vendor fees increased in fiscal year 2023 by \$2.7 million, or 16.8 percent, as a direct result of the increase in Draw Game sales.

Pull-Tab vendor fees decreased by \$.6 million in fiscal year 2023, or 9.8 percent, due to decreased Pull-Tab sales.

Other Operating Expenses

Other operating expenses include advertising, personal services, fringe benefits, marketing and promotional expenses, utilities and facility costs, communication services and other administrative costs. The Lottery is subject to the budgetary and appropriation process of the State of Missouri. Management develops budgets for these expenses, within the total amounts appropriated by the State, based upon current economic conditions, business plans and market conditions, with actual results continuously monitored to ensure that overall business objectives are met in the most effective and efficient manner. In fiscal year 2023, other operating expenses increased by \$.3 million, or 1.4 percent, due mainly to increased wages and benefits.

The level of depreciation and amortization expenses is generally a function of capital asset acquisition and leasing and subscription-based information technology arrangements activity. This category increased in fiscal year 2023 due to implementation of GASB 96 and recognition and amortization of right to use subscription assets.

Nonoperating Revenues (Expenses)

| | For the Year Ended June 30, | |
|---------------------------------------|-----------------------------|------------|
| | 2023 | 2022 |
| Interest income | \$1,070,950 | \$196,410 |
| Unclaimed prizes | 19,687,962 | 29,134,511 |
| Gain (Loss) on sale of capital assets | 53,292 | 36,316 |

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

| | | |
|---|---------------|---------------|
| Net increase (decrease) in the fair value of investments held for grand-prize winners | (364,776) | (2,877,399) |
| Amortization of grand-prize winner liability | (999,338) | (1,085,616) |
| Transfers to State of Missouri Lottery Proceeds Fund | (396,865,395) | (386,434,609) |

The Lottery earns interest on its share of the common cash pool with the State Treasurer's Office, as well as interest on an imprest fund account utilized to pay prizes. Interest is also earned on funds receivable from the Multi-State Lottery Association (MUSL). The increase in interest earnings for fiscal year 2023 over fiscal year 2022 reflects increased interest rates.

The Lottery retains prize money if a claim for the prize is not made within a 180-day claim period. In fiscal year 2023, the level of unclaimed prizes decreased by \$9.4 million over fiscal year 2022. This line item fluctuates considerably from year to year, depending on the timing of Scratchers game closings and the unpredictability of prizes going unclaimed.

The net increase (decrease) in investments held for grand-prize winners represents the net fair value change. Amortization of the grand-prize winner liability represents the accretion of interest to the securities held to maturity to fund the grand-prize winner payments.

The variances in the gain or loss from the disposal of capital assets generally reflect the effects of the number of vehicles that were surplus during each fiscal year. In fiscal year 2022, one vehicle and various equipment items were surplus with no offsetting losses. In fiscal year 2023, seven vehicles and computer equipment were surplus with no offsetting losses.

All net proceeds are transferred to the Lottery Proceeds Fund for Education. Net proceeds for fiscal year 2023 increased \$10.4 million, or 2.7 percent, due to increased sales coupled with a decrease in prizes, offset by a decrease in unclaimed prizes. The Governor's Office and the Legislature determine where these funds will be expended within the state's public institutions of elementary, secondary and higher education.

Capital Assets and Long-Term Debt

The Lottery's capital assets consist of land, buildings, automobiles, computers and software, other equipment, lease buildings and lease equipment, and subscription assets. Capital assets are not a significant part of the Lottery's total assets. Additional detailed information on capital assets can be found in Note 6 to the financial statements.

The Lottery's long-term liabilities consist of the long-term annuitized payments to Lottery winners, deferred transfers to the State of Missouri, net pension and other post-employment benefits liabilities recorded pursuant to GASBs 68 and 75, respectively, and lease liability pursuant to GASB 87. Additional detailed information on long-term liabilities may be found in Note 11 to the financial statements.

Contacting the Lottery's Financial Management

This management discussion and analysis report is designed to provide Missouri citizens, government officials, players, retailers and other interested parties reliable financial information and an explanation of the Lottery's financial activities for the fiscal year ended June 30, 2023. If you have questions about this report or need additional information, contact the Missouri State Lottery Commission, Financial Accounting Section, P.O. Box 1603, Jefferson City, Missouri 65109-1603.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Statement of Net Position As of June 30, 2023

Current Assets

| | |
|--|--------------------|
| Cash and cash equivalents | \$49,801,910 |
| Investments held for grand-prize winners | 3,815,028 |
| Accounts receivable, net of allowances for returns | 62,809,355 |
| Other assets | 549,167 |
| Total current assets | <u>116,975,460</u> |

Noncurrent Assets

| | |
|--|--------------------|
| Capital assets | |
| Capital assets not being depreciated | 492,696 |
| Other capital assets | 15,607,696 |
| Accumulated depreciation | (11,402,979) |
| Accumulated amortization | (1,335,713) |
| | <u>3,361,700</u> |
| Investments held for grand-prize winners | 24,871,344 |
| Total noncurrent assets | <u>28,233,044</u> |
| Total assets | <u>145,208,504</u> |

Deferred Outflows

| | |
|-----------------------------|------------------|
| Deferred outflows - pension | 4,370,791 |
| Deferred outflows - OPEB | 624,238 |
| Total deferred outflows | <u>4,995,029</u> |

Current Liabilities

| | |
|--------------------------------|--------------------|
| Accounts payable | 1,436,021 |
| Due to Lottery Proceeds Fund | 13,841,269 |
| Accrued prize liabilities | 78,789,820 |
| Grand-prize winner liabilities | 3,674,000 |
| Lease liability | 439,021 |
| Subscription liability | 378,178 |
| Other accrued liabilities | 6,953,371 |
| Total current liabilities | <u>105,511,680</u> |

Long-term Liabilities

| | |
|--------------------------------|--------------------|
| Due to Lottery Proceeds Fund | 13,069,587 |
| Grand-prize winner liabilities | 27,229,487 |
| Net pension liability | 25,197,813 |
| Net OPEB liability | 5,928,156 |
| Lease liability | 560,785 |
| Total long-term liabilities | <u>71,985,828</u> |
| Total liabilities | <u>177,497,508</u> |

Deferred Inflows

| | |
|----------------------------|------------------|
| Deferred inflows - pension | 93,530 |
| Deferred inflows - OPEB | 2,197,888 |
| Total deferred inflows | <u>2,291,418</u> |

Net Position

| | |
|------------------------------|------------------------------|
| Investment in capital assets | 1,983,716 |
| Unrestricted | (31,569,109) |
| Total net position | <u><u>\$(29,585,393)</u></u> |

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

**Statement of Revenues, Expenses and Changes In Net Position
For The Year Ended June 30, 2023**

| | |
|---|------------------------------|
| Operating Revenues | |
| Scratchers ticket sales | \$1,159,257,494 |
| Draw Game ticket sales | 484,704,909 |
| Pull-Tab ticket sales | 148,253,356 |
| Total sales | <u>1,792,215,759</u> |
| Other | <u>379,994</u> |
| Total operating revenues | <u>1,792,595,753</u> |
| Operating Expenses | |
| Scratchers prizes | 848,478,171 |
| Draw Game prizes | 271,645,081 |
| Pull-Tab prizes | 133,439,103 |
| Scratchers retailer commissions and incentives | 74,353,006 |
| Draw Game retailer commissions and incentives | 27,485,598 |
| Pull-Tab retailer commissions and incentives | 2,962,678 |
| Cost of tickets sold | 34,679,829 |
| Depreciation and amortization | 1,513,024 |
| Advertising | 399,973 |
| Wages and benefits | 13,753,536 |
| Other general and administrative | <u>8,765,747</u> |
| Total operating expenses | <u>1,417,475,746</u> |
| Operating income | <u>375,120,007</u> |
| Nonoperating Revenues (Expenses) | |
| Interest income | 1,070,950 |
| Unclaimed prizes | 19,687,962 |
| Gain (Loss) on sale of capital assets | 53,292 |
| Net increase (decrease) in the fair value of investments held for grand-prize winners | (364,776) |
| Amortization of grand-prize winner liability | (999,338) |
| Transfers to State of Missouri Lottery Proceeds Fund | <u>(396,865,395)</u> |
| Total nonoperating revenues (expenses) | <u>(377,417,305)</u> |
| Changes in net position | <u>(2,297,298)</u> |
| Total Net Position, Beginning of Year - as restated | <u>(27,288,095)</u> |
| Total Net Position, End of Year | <u><u>\$(29,585,393)</u></u> |

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Statement of Cash Flows
For The Year Ended June 30, 2023

Cash Flows From Operating Activities

| | |
|---|------------------|
| Cash received from retailers and others | \$ 1,791,196,787 |
| Cash paid for prizes | (1,244,131,221) |
| Cash paid for retailer commissions | (105,090,749) |
| Cash paid for employee services | (12,863,747) |
| Cash paid for other expenses | (43,939,621) |
| | <hr/> |
| Net cash provided by operating activities | 385,171,449 |

Cash Flows From Noncapital Financing Activities

| | |
|--------------------------------|---------------|
| Transfers to State of Missouri | (425,038,869) |
| | <hr/> |

Cash Flows From Capital and Related Financing Activities

| | |
|--|-------------|
| Purchases of capital assets | (1,285,650) |
| Proceeds from sale of capital assets | 53,292 |
| Lease related cash outflows | (435,364) |
| Subscription related cash outflows | (354,975) |
| | <hr/> |
| Net cash used for capital and related financing activities | (2,022,697) |

Cash Flows From Investing Activities

| | |
|---|-----------|
| Proceeds from maturity of investments | 4,102,000 |
| Interest received | 1,070,950 |
| | <hr/> |
| Net cash provided by investing activities | 5,172,950 |

Net Increase (Decrease) in Cash and Cash Equivalents (36,717,167)

Cash and Cash Equivalents, Beginning of Year 86,519,077

Cash and Cash Equivalents, End of Year \$ 49,801,910

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| | |
|---|-----------------------|
| Operating income | \$375,120,007 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 1,513,024 |
| Noncash pension and OPEB adjustments | 905,719 |
| Unclaimed prizes | 19,687,962 |
| Payments to grand-prize winners | (4,102,000) |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in accounts receivable, net | (2,369,105) |
| (Increase) decrease in other receivables | 840,120 |
| Increase (decrease) in accounts payable and other accrued liabilities | (269,449) |
| Increase (decrease) in accrued prize liabilities | (6,154,829) |
| | <hr/> |
| Net cash provided by operating activities | <u>\$ 385,171,449</u> |

Noncash Activities

| | |
|---|--------------|
| Net increase (decrease) in the fair value of investments held for grand-prize winners | \$ (364,776) |
| Amortization of grand-prize winner liability | \$ 999,338 |

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies

The Missouri State Lottery Commission (the Lottery) was created by the passage of a constitutional amendment on November 6, 1984 by the citizens of the State of Missouri. The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Revised Statutes of Missouri. The Department of Revenue has no control, supervision or authority over the actions or decisions of the Lottery. The Lottery's Commission consists of five members appointed by the Governor with the advice and consent of the Senate. The day-to-day operations are administered by the executive director and administrative staff as designated by the Commission.

For financial reporting purposes, the Lottery is considered an enterprise fund of the State of Missouri. Additional disclosures related to Missouri's self-insurance funds, unemployment insurance compensation, state pension plans, post-employment benefits, and workers' compensation benefits are included in the State of Missouri's Annual Comprehensive Financial Report.

These financial statements include all Lottery activity and do not include any activity related to any other state agency or fund.

Basis of Presentation

The Lottery is accounted for as a proprietary, business-type activity enterprise fund. The financial statements of the Lottery have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or where the periodic determination of net income is appropriate.

Basis of Accounting

The term "basis of accounting" refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The term "measurement focus" refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with GAAP.

The Lottery distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Lottery primarily consist of sales from Scratchers, Draw Game and Pull-Tab tickets. Operating expenses primarily consist of payments to prize winners, commissions to retailer agents, payments to vendors and employees, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard requires the recognition of a subscription liability and an intangible right-to-use subscription asset for SBITA arrangements that a government has with software vendors.

The Lottery adopted the requirements of the guidance effective July 1, 2022 and the cumulative effect of applying the standard was reported as a restatement of beginning net position as of this date. Additional information on the nature of the restatement and its effect can be found in Note 15. The Lottery did not apply the standard retroactively because the impact of restating prior fiscal years would have been immaterial to the financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Sales of Scratchers tickets are made to licensed retail sales outlets with the right of return. Ticket sales are recognized upon the sale of tickets to licensed retailers and are valued at the sale price to the player. An allowance of approximately \$2,878,253 at June 30, 2023 has been established for estimated tickets to be returned by retailers.

Sales of Draw Game lottery tickets are generated by the semiweekly Lotto and Mega Millions games, the triweekly Powerball game, and the daily Club Keno, Show Me Cash, Pick 4, Pick 3, Cash4Life, and Cash Pop games. Lotto, Show Me Cash, Pick 4, Pick 3 and Cash4Life games have the EZ Match option in which players instantly win the prize amount printed next to the matched EZ Match numbers. Sales of Draw Game lottery tickets are made through licensed retail sales outlets via Draw Game terminals maintained by the retailers. Revenue is recognized for Draw Games when tickets are sold to players and the related draw occurs. Unearned revenues from these sales represent tickets sold for future prize drawings. Unearned revenues were \$1,029,724 as of June 30, 2023 and are included in other accrued liabilities.

Sales of the new Pull-Tabs product began October 2013. Sales are generated daily through Pull-Tab dispensers at licensed retail sales outlets. Revenue is recognized for Pull-Tabs when tickets are dispensed to players.

Operating revenues are presented net of sales returns, cancellations and promotional tickets of \$64,729,277 for the year ended June 30, 2023.

Prizes

Expenses for Draw Game lottery ticket prizes are recorded based on a minimum of 45 percent of Draw Game lottery ticket sales. This amount is recognized and accrued as prize liability. Actual prizes paid are treated as a reduction of the prize liability.

Lotto grand-prize winners have the choice of receiving their prize in 25 annual installments or a portion of the prize in one lump-sum payment. Powerball and Mega Millions grand-prize winners have the choice of receiving their prize over 29 years (30 annual graduated installments) or a portion of the prize in one lump-sum payment. Cash4Life top and second prize winners also have the choice of receiving their prize annually for life (minimum of 20 years) or in one lump-sum payment.

Expenses for Scratchers ticket prizes are recorded based upon the unique, predetermined prize structure for each game and are accrued as tickets are sold to the retailer.

Pull-Tab prizes are recorded at actual prizes paid.

Unclaimed Prizes

State statutes require that unclaimed prize monies be retained by the Lottery for the person entitled thereto for 180 days after the time the prize was awarded. If no claim is made for the prize within such time, the prize money reverts to the Lottery. Effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers to the Lottery Proceeds Fund all prizes that remain unclaimed. During the year ended June 30, 2023, unclaimed prizes in the amount of approximately \$19,700,000 were transferred to the Lottery Proceeds Fund. For the year ended June 30, 2023, this amount has been included as nonoperating revenue on the statement of revenues, expenses and changes in net position with a corresponding amount included as a transfer to the State of Missouri.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash in banks, repurchase agreements and funds on deposit with the State Treasurer. The Lottery considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Investments Held for Grand-Prize Winners

Since March 1990, the Lottery has purchased U.S. Treasury Zero Coupon Bonds to fund future payments under grand-prize winner prize claims. The maturities of these bonds approximate deferred grand-prize annuity installment amounts and due dates. The securities purchased are held in the Lottery's name in safekeeping by the Federal Reserve Bank in a separate account. The investments in these securities are carried at fair value. The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Retailer Fees

Retailers are charged a fee when licensed to sell lottery tickets. Additionally, retailers pay an annual fee in lieu of obtaining an insurance bond. Such fees are used to offset uncollectible accounts receivable from retailers. The Lottery has not established an allowance for bad debt as this amount has been determined to be immaterial to the accounts receivable balance.

Capital Assets

Property and equipment greater than \$1,000 are carried at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated lives of the related assets, which range from three to fifteen years for automobiles, computers, equipment, and other assets, and nineteen years for buildings.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in nonoperating revenues and expenses for the period, except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in the Leases and SBITAs Notes below.

Leases

The Lottery is a lessee for noncancellable leases of tangible property. The Lottery recognizes a lease liability and an intangible right-to-use lease asset.

At the commencement of a lease, the Lottery initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

The Lottery monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs)

The Lottery initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the commencement of the

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements (SBITAs) (continued)

subscription term, plus capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or its useful life.

The Lottery monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with debt on the statement of net position.

Net Position

Restricted net position represents the unrealized gain on investments held for grand-prize winners. Certain investments are reported at fair value with gains and losses reflected in the statement of revenues, expenses and changes in net position. As required by the Missouri Constitution and state statutes, the Lottery uses investments only to fund its annuity prize obligations and intends to hold the investments to maturity. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts due to the Lottery Proceeds Fund. For the year ending June 30, 2023 the prize liability exceeded the fair value of investments. As a result, the negative restricted net position is presented as unrestricted net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Due to Lottery Proceeds Fund

All income before transfers of the Lottery, except for the net increase in the fair value of investments held for grand-prize winners, amortization of grand-prize winner liabilities and the change in net position related to pensions and other post-employment benefits (calculated using a one-year lag), as described in the accompanying statement of revenues, expenses and changes in net position, accrues to the benefit of the State of Missouri. Transfers are made to the Lottery Proceeds Fund, which shall be appropriated by the State solely for the institutions of public elementary, secondary and higher education.

The Lottery makes estimated weekly transfers to the Lottery Proceeds Fund with a monthly transfer adjustment done based on calculated net income before transfers. A portion of the liability to the Lottery Proceeds Fund, equal to the net book value of capital additions after September 1, 1988, and all amounts receivable from the Multi-State Lottery Association, is shown as a long-term liability and is not subject to current transfers.

Compensated Absences

Under the terms of the Lottery's personnel policy, employees are granted vacation and sick leave in varying amounts, based upon length of service. In the event of termination or separation, an employee is generally paid for accumulated vacation up to 240 hours if in service for less than ten years; 288 hours for service between ten and fifteen years; and 336 hours if service exceeds fifteen years. Accordingly, it is the Lottery's policy to record vacation pay as an expense as it is earned. The amount of earned but unused accumulated vacation is included as an accrued liability in the accompanying financial statements. Retiring employees receive an additional month of credited service for every twenty-one days of accumulated sick leave on the

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

date of termination. Credited service is used to calculate retirement benefits administered by the Missouri State Employees Retirement System. The amount of earned but unused sick leave has no material financial effect on the Lottery.

Risk Management

The Lottery's risk management activities for workers' compensation and unemployment are recorded in the Workers' Compensation Fund and the Employment Security Fund, funds of the State of Missouri. The Lottery reimburses these funds for actual disbursements made on the Lottery's account.

Employees are offered various health insurance coverage programs administered by the Missouri Consolidated Health Care Plan (MCHCP). The Lottery contributes a fixed monthly payment for each covered employee to MCHCP as appropriated by the General Assembly of the State of Missouri.

The Lottery's major assets including data processing equipment, buildings and business interruption are insured by a third-party carrier maintained by the Office of Administration - Risk Management.

There were no significant reductions in insurance coverage from the prior year. Insurance settlements did not exceed insurance coverage in the past three years.

Budgetary Authority

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. All expenses of the Lottery are subject to the State of Missouri appropriation process.

Marketing, Advertising and Promotion

The Lottery expenses the costs of marketing, advertising and promotions as they are incurred. In addition to the \$400,000 spent for advertising in fiscal year 2023, the Lottery spent \$261,000 on promotional supplies in fiscal year ended June 30, 2023.

Pension Plan and Other Post-Employment Benefits Plan (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Professional and Leadership Development Award

In fiscal year 2023, the Lottery received \$21,234 in Professional and Leadership Development Award funding from the state. The purpose of the program is to reward the top 10% of a department's team members through a \$1,500 allocation per team member for a professional development opportunity. This amount is included in Other revenue on the Statement of Revenues, Expenses and Changes in Net Position.

2. Statutory Requirements

Missouri statutes provide that a minimum of 45 percent of the money received from the sale of lottery tickets shall be allocated to prizes. The costs of operating the Lottery, including all commissions to retailers, promotional costs, and all other administrative expenditures, are appropriated by the General Assembly of the State of Missouri.

The Lottery receives certain services for no charge from other Missouri state government agencies. Tax clearance and driver's license checks are provided by the Department of Revenue. The Office

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

2. Statutory Requirements (continued)

of Administration provides services related to employee benefits and certain capital improvements, procurements, and facilities-related items.

3. Cash and Cash Equivalents

Cash, other than petty cash and the imprest fund, is part of the common cash pool in the State Treasury. The State of Missouri invests such cash in excess of what is necessary to meet current obligations. The fair value in the common cash pool is the same as the value of the pool shares. At June 30, 2023, the Lottery's share in the State's common cash pool was \$28,388,661. At June 30, 2023, the book balance of the imprest fund was \$21,400,249, and the bank balance was \$22,097,177.

Collateral is required by state statutes for demand deposits and certificates of deposit. The fair value of collateral must equal 100 percent of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statute and include U.S. government and U.S. agency bonds and securities, general obligation bonds of any of the fifty states, general obligation bonds of any Missouri county and certain cities and special districts, and revenue bonds of certain Missouri agencies. Written custodial agreements are required which provide, among other things, that the collateral be held separate from the assets of the custodial bank.

Custodial credit risk is the risk that, in the event of a bank failure, the Lottery's deposits may not be returned to it. The Lottery does not have a deposit policy for custodial credit risk. The Lottery's imprest fund was fully collateralized by FDIC insurance and pledged collateral at June 30, 2023. Because the Lottery's share of the State's Treasury is a pooled investment, the balance of this account is not subject to custodial credit risk.

4. Investments Held For Grand-Prize Winners

As provided for by Article III, Section 39(b) of the Missouri Constitution, the Lottery purchases United States Treasury Zero Coupon Bonds for the specific purpose of funding future grand-prize winner prize claims. The recurring fair value measurements of these investments at June 30, 2023 using quoted market prices (Level 1 inputs) was \$28,686,372. The maturity value of securities held at June 30, 2023 was \$37,080,000.

At June 30, 2023, the Lottery had the following investments:

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|--|--------------|----------------------------------|--------------|-------------|--------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| United States Treasury Zero Coupon Bonds June 30, 2023 | \$28,686,372 | \$3,815,028 | \$11,452,406 | \$7,439,911 | \$5,979,027 |

Investments in prize annuities are subject to changes in fair value due to interest rate risk. However, to satisfy the annual installment obligations to prize winners, these bonds are held to maturity. The fair value at maturity is the face value of the bonds, regardless of the changes in value during the time that the investments are outstanding.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

5. Draw Game Ticket Sales

Draw Game ticket sales for the year ended June 30, 2023, consist of the following:

| | |
|-------------------------|----------------------|
| Lotto | \$18,915,646 |
| Pick 3 | 100,012,015 |
| Powerball | 109,115,349 |
| Show Me Cash | 26,163,775 |
| Pick 4 | 68,818,082 |
| Club Keno | 50,802,774 |
| Mega Millions | 82,504,727 |
| EZ Match – Show Me Cash | 1,817,029 |
| EZ Match – Lotto | 738,349 |
| EZ Match – Pick 3 | 461,554 |
| EZ Match – Pick 4 | 387,158 |
| EZ Match – Cash4Life | 573,976 |
| Cash4Life | 10,418,724 |
| Cash Pop | 13,975,751 |
| | <u>\$484,704,909</u> |

6. Capital Assets

The changes in capital assets for the year ended June 30, 2023, consist of the following:

| | June 30, 2022 (as restated) | Increases | Decreases | June 30, 2023 |
|--|--------------------------------|------------------|------------------|---------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 352,973 | \$ - | \$ - | \$ 352,973 |
| Construction in progress | 8,000 | 131,723 | - | 139,723 |
| Total capital assets not being depreciated | <u>360,973</u> | <u>131,723</u> | <u>-</u> | <u>492,696</u> |
| Other capital assets | | | | |
| Buildings | 4,560,057 | - | - | 4,560,057 |
| Computers and software | 3,687,029 | 284,273 | (452,506) | 3,518,796 |
| Equipment | 2,466,835 | 35,703 | (6,626) | 2,495,912 |
| Automobiles | 1,595,901 | 833,952 | (150,970) | 2,278,883 |
| Lease buildings | 1,408,842 | - | - | 1,408,842 |
| Lease equipment | 458,853 | 4,840 | - | 463,693 |
| Subscription assets | 881,513 | - | - | 881,513 |
| Total other capital assets | <u>15,059,030</u> | <u>1,158,768</u> | <u>(610,102)</u> | <u>15,607,696</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (4,430,980) | (30,869) | - | (4,461,849) |
| Computers and software | (3,341,749) | (245,985) | 452,506 | (3,135,228) |
| Equipment | (2,141,244) | (168,926) | 6,626 | (2,303,544) |
| Automobiles | (1,456,891) | (196,437) | 150,970 | (1,502,358) |
| Total accumulated depreciation | <u>(11,370,864)</u> | <u>(642,217)</u> | <u>610,102</u> | <u>(11,402,979)</u> |

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2023

6. Capital Assets (continued)

| | June 30, 2022 (as restated) | Increases | Decreases | June 30, 2023 |
|-----------------------------------|--------------------------------|--------------|-----------|---------------------|
| Less accumulated amortization for | | | | |
| Lease buildings | (331,335) | (310,247) | - | (641,582) |
| Lease equipment | (133,570) | (132,392) | - | (265,962) |
| Subscription assets | - | (428,169) | - | (428,169) |
| Total accumulated amortization | (464,905) | \$ (870,808) | \$ - | (1,335,713) |
| Total other capital assets, net | 3,223,261 | | | 2,869,004 |
| Capital assets, net | <u>\$ 3,584,234</u> | | | <u>\$ 3,361,700</u> |

7. Pension Plan

Plan Description

The Lottery participates in the Missouri State Employees' Plan (MSEP) (the Plan), a cost-sharing, multiple-employer defined benefit public employees' retirement plan administered by Missouri State Employees' Retirement System (MOSERS). Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish and amend benefit terms to the MOSERS Board of Trustees. Substantially all full-time employees of the Lottery are covered by the Plan. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Missouri State Employees' Retirement System, 907 Wildwood Drive, P.O. Box 209, Jefferson City, Missouri 65102, by calling (800) 827-1063 or by visiting www.mosers.org.

The MSEP has three benefit structures known as MSEP (closed plan), MSEP 2000, and MSEP 2011. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 1, 2011. MSEP 2011 covers all full-time employees first hired on or after January 1, 2011. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000.

Benefits Provided

MOSERS provides retirement, disability, and life insurance benefits to eligible employees. Employees covered by the MSEP and the MSEP 2000 plans are fully vested after 5 years of creditable service. Beginning January 1, 2018, employees covered by the MSEP 2011 plan are fully vested after 5 years of creditable service (2017 legislation reduced the vesting period from 10 to 5 years for MSEP 2011 members). The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. Retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 55 with at least 10 years of service with reduced benefits.
The base benefit in the general employee plan is equal to 1.6% multiplied by the final average pay multiplied by years of credited service.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 57 with at least 5 years of service with reduced benefits.
The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2023

7. Pension Plan (continued)

Benefits Provided (continued)

MSEP 2011

Age 67 with 5 years of service

Age 55 with age and service equaling 90 or more (Rule of 90)

Employees may retire early at age 62 with at least 5 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average Consumer Price Index (CPI) from one year to the next, with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

Contributions

Per Chapter 104.436 RSMo., contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4% of their annual pay. The Lottery's required contribution rate for the year ended June 30, 2023 was 26.33% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Lottery contributions to the MSEP at June 30, 2023 were \$2,025,537.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, a liability of \$25,197,813 was reported for the proportionate share of the Lottery's net pension liability in the MSEP. The net pension liability and proportionate share were measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of this date.

The Lottery's proportion of the net pension liability was based on Lottery's actual share of contributions to the pension plan relative to the actual contributions of all participating reporting units, actuarially determined. At the June 30, 2022 measurement date, the Lottery's proportion was .44%, an increase from Lottery's .42% proportion at the June 30, 2021 measurement date.

There were no changes in benefit terms during the MSEP plan year ended June 30, 2022 that affected the measurement of total pension liability.

For the year ended June 30, 2023, the Lottery recognized pension expense of \$3,039,509. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2023

7. Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$324,789 | \$6,823 |
| Changes of assumptions | 604,727 | — |
| Net difference between projected and actual earnings on pension plan investments | 1,356,454 | — |
| Changes in proportion and difference between Lottery contributions and proportionate share of contributions | 59,284 | 86,707 |
| Lottery contributions subsequent to the measurement date | 2,025,537 | — |
| Total | <u>\$4,370,791</u> | <u>\$93,530</u> |

Amounts reported as deferred outflows of resources related to pensions resulting from Lottery contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|---------------------------|---|
| 2024 | 1,122,779 |
| 2025 | 112,760 |
| 2026 | (25,045) |
| 2027 | 1,041,230 |
| Total | <u>\$2,251,724</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation, which is also the date of measurement for GASB 68 purposes, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|-----------------|
| Inflation | 2.25% |
| Salary Increases (including inflation) | 2.75% to 10.00% |
| Wage Inflation | 2.25% |
| Investment Rate of Return | |
| (compounded annually, net after investment expenses including inflation) | 6.95% |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

Mortality rates used in the June 30, 2022 valuation for post-retirement mortality are based on the Pub-2010 General Members Below Median Healthy Retiree mortality table, scaled by 104%, set back two

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7. Pension Plan (continued)

Actuarial Assumptions (continued)

years for males and set forward one year for females. Mortality projected generationally from 2010 to 2020 using Scale MP-2020 and 75% of Scale MP-2020 for years after 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the policy allocation percentage and by adjusting for expected inflation, volatility and correlations. Best estimates of real rates of return for each major asset class included in MOSERS policy allocation as of June 30, 2022 are summarized in the following table:

| Asset Class | Policy Allocation | Long-Term Expected Nominal Return* | Long-Term Expected Real Return | Weighted Average Long-Term Expected Nominal Return |
|--|-------------------|------------------------------------|--------------------------------|--|
| Global public equities | 30.0% | 7.7% | 5.8% | 2.3% |
| Global private equities | 15.0% | 9.3% | 7.4% | 1.4% |
| Long treasuries | 25.0% | 3.5% | 1.6% | 0.9% |
| Core bonds | 10.0% | 3.1% | 1.2% | 0.3% |
| Commodities | 5.0% | 5.5% | 3.6% | 0.3% |
| TIPS | 25.0% | 2.7% | 0.8% | 0.7% |
| Private real assets | 5.0% | 7.1% | 5.2% | 0.3% |
| Public real assets | 5.0% | 7.7% | 5.8% | 0.4% |
| Hedge funds | 5.0% | 4.8% | 2.9% | 0.2% |
| Alternative beta | 10.0% | 5.3% | 3.4% | 0.5% |
| Private credit | 5.0% | 9.5% | 7.6% | 0.5% |
| Cash and cash equivalents** | (40.0)% | - | - | - |
| | <u>100.0%</u> | | | |
| Correlation/Volatility Adjustment | | | | (0.6)% |
| Long-Term Expected Net Nominal Return | | | | 7.2% |
| Less : Investment Inflation Assumption | | | | (1.9)% |
| Long-Term Expected Geometric Net Real Return | | | | <u>5.3%</u> |

*Long-term expected arithmetic returns of asset classes at the time of the asset allocation study for each portfolio.

**Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position at June 30, 2022 was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability at June 30, 2022.

Sensitivity of the Lottery's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents net pension liability at June 30, 2022, calculated using a single discount rate as well as what net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| | 1% Decrease 5.95% | Current Single Discount Rate Assumption 6.95% | 1% Increase 7.95% |
|---|----------------------|---|----------------------|
| Lottery's Proportionate Share of Net Pension Liability | <u>\$31,518,827</u> | <u>\$25,197,813</u> | <u>\$19,917,094</u> |

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7. Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separate financial reports issued by MOSERS which may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Payables to the Pension Plan

The Lottery had a payable to MOSERS for the pension plan of approximately \$89,500 as of June 30, 2023, due to the state's half month lag payroll.

8. Leases

The Lottery leases equipment as well as certain office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options ranging from four to six years.

Some leases require variable payments based on usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2023, the Lottery made variable payments as required by lease agreements totaling \$6,531.

Total future minimum lease payments under lease agreements are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|-------------------|------------------|---------------------|
| 2024 | \$ 439,021 | \$ 27,116 | \$ 466,137 |
| 2025 | 288,205 | 14,415 | 302,620 |
| 2026 | 148,870 | 6,905 | 155,775 |
| 2027 | 123,710 | 2,290 | 126,000 |
| | <u>\$ 999,806</u> | <u>\$ 50,726</u> | <u>\$ 1,050,532</u> |

9. Contractual Arrangements

The Lottery maintains contractual arrangements with providers of goods and services critical to the Lottery's operations. Significant contracts include agreements with the providers of the Lottery's Draw Game computer systems, Pull-Tab product, and Scratchers games tickets, among others. The contracts require the Lottery to compensate vendors for goods and services that meet stated quality standards. Scratchers game tickets are purchased on a percentage of sales basis. Scratchers tickets on hand in the Lottery's warehouse are held on a consignment basis and are not recorded as inventory.

The Lottery is a member of the Multi-State Lottery Association (MUSL) which consists of 39 member lotteries and operates the Powerball game and the Mega Millions game. Under separate agreements between MUSL and each lottery, the member lotteries sell tickets for the Powerball game and remit 50 percent of sales to MUSL for payment of prizes. On January 31, 2010 the Lottery began selling the Mega Millions jackpot game as an historic cross-selling agreement between Mega Millions and Powerball. Member lotteries sell tickets for the Mega Millions game and currently remit 50 percent of sales to MUSL

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9. Contractual Arrangements (continued)

for payment of prizes. Member lotteries also fund MUSL's operating expenses based on allocations by MUSL.

Powerball and Mega Millions grand-prize winners have the choice of receiving their prize over 29 years (30 annual graduated installments) or a portion of the prize in one lump-sum payment. Investment securities, with maturities that approximate all grand-prize winner payments due to winners of MUSL games, are maintained by MUSL. The investments and related prize liabilities for winners of these games from the State of Missouri are excluded from the accompanying financial statements. Future grand-prize winner payments of MUSL games due to winners in Missouri are approximately \$23,600,000 as of June 30, 2023.

The Lottery has contributed to a prize reserve fund and set prize reserve fund, separately maintained by MUSL, to protect MUSL members in case of unforeseen liabilities and to pay certain prizes associated with Powerball and Mega Millions, respectively. With certain restrictions, these fund balances are refundable to member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2023, the Lottery's portion of the prize reserve fund and set prize reserve fund for Powerball was approximately \$2,623,000 and \$1,107,000, respectively. At June 30, 2023, the Lottery's portion of the prize reserve fund for Mega Millions was approximately \$2,594,000. The Lottery has charged amounts placed into the prize reserve funds to prize expense as the related sales have occurred. The reserve funds are not reflected on the Lottery's statement of net position as of June 30, 2023.

The Lottery has contributed to an account with MUSL which is used to pay certain operating expenses incurred by member lotteries for the Powerball game and the Mega Millions game. With certain restrictions, the balances in this account are refundable to the member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2023, the Lottery's portion of the balance of this account was \$401,100 and is reported as other assets.

Cash4Life is the Lottery's newest multi-state Draw Game and is currently offered in ten states. Cash4Life's top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by the Lottery when a winner chooses the annuity option. The top and second prize tiers are \$365,000 and \$52,000 per year, respectively, deferred annuity paid annually on the anniversary of the claim date for the lifetime of the winners. Annuity contracts purchased from insurance companies to fund for-life prizes are not reflected in the financial statements as it is the intent of the Lottery that the insurance companies will make future installment payments directly to each prize winner. Top and second tier prizes are funded from pooled contributions by all participating lottery states. Each participating lottery is responsible for funding its own lower level prizes.

10. Amounts Held On Behalf of Grand-Prize Winners Liability

The Lottery has an implied contract to make future installment payments to grand-prize winners, and as such, recognizes this as amounts held on behalf of grand-prize winners. Amounts due to grand-prize winners are carried at the estimated present value of the prizes that will eventually be awarded. The present value of these payments at June 30, 2023 was \$30,903,487. This is funded with the maturing U.S. Treasury Zero Coupon Bonds that are restricted for this purpose.

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10. Amounts Held On Behalf of Grand-Prize Winners Liability (continued)

The balances of these maturities at June 30, 2023, are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------------------|----------------------|
| 2024 | \$ 3,674,000 |
| 2025 | 3,502,000 |
| 2026 | 3,502,000 |
| 2027 | 3,226,000 |
| 2028 | 2,740,000 |
| 2029 through 2033 | 9,940,000 |
| 2034 through 2038 | 6,836,000 |
| 2039 through 2043 | 3,084,000 |
| 2044 through 2047 | 576,000 |
| Total installment payments due | 37,080,000 |
| Less- Interest portion | 6,176,513 |
| | <u>\$ 30,903,487</u> |

The Lottery has also purchased annuity contracts in the name of the prize winners from selected insurance companies to fund certain grand-prize claims. Because it is the intent of the Lottery that the insurance companies make future installment payments directly to each prize winner, neither the value of the annuities nor the value of the related future payments are reflected in the accompanying financial statements. The Lottery would assume liability for future payments if the insurance companies were to default on their payments; however, this possibility is remote and therefore no liability is recorded. Future payments to be made to grand-prize winners by these insurance companies totaled approximately \$13,160,000 at June 30, 2023.

11. Long-Term Liabilities

The changes in long-term liabilities for the year ended June 30th consist of the following:

| | <u>June 30, 2022</u> <u>(as restated)</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2023</u> | <u>Current</u> <u>Portion</u> |
|--------------------------------|--|----------------------|------------------------|----------------------|----------------------------------|
| Due to Lottery Proceeds Fund | \$55,084,330 | \$396,865,395 | \$(425,038,869) | \$26,910,856 | \$13,841,269 |
| Grand-prize winner liabilities | 32,713,137 | 2,292,349 | (4,102,000) | 30,903,486 | 3,674,000 |
| Lease liability | 1,430,330 | 4,840 | (435,364) | 999,806 | 439,021 |
| Subscription liability | 733,153 | - | (354,975) | 378,178 | 378,178 |
| Total | <u>\$89,960,950</u> | <u>\$399,162,584</u> | <u>\$(429,931,208)</u> | <u>\$59,192,326</u> | <u>\$18,332,468</u> |

12. Other Post-Employment Benefits Plan

Plan Description

As a State agency, the Lottery participates in a cost-sharing multiple-employer defined benefit Other Post-Employment Benefits Plan (OPEB), the State Retiree Welfare Benefit Trust (SRWBT), administered by the Missouri Consolidated Health Care Plan (MCHCP). Employees may participate at retirement if eligible to receive a monthly retirement benefit from MOSERS. The terms and conditions governing post-employment benefits are vested with the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri. The SRWBT does not issue a separate stand-alone financial report. Financial

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12. Other Post-Employment Benefits Plan (continued)

Plan Description (continued)

activity of the SRWBT is included in MCHCP's annual comprehensive financial report as a fiduciary fund and is intended to present only the financial position of the activities attributable to the SRWBT. Additionally, the MCHCP is considered a component unit of the state of Missouri reporting entity and is included in the state's financial report. MCHCP's financial report may be obtained by visiting www.mchcp.org.

Benefits Provided

The SRWBT was established and organized on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the state and their dependents who meet eligibility requirements. MCHCP's three medical plans offer the same basic coverage such as preventative care, freedom to choose care from a nationwide network of primary care providers, specialists, pharmacies and hospitals, usually at a lower negotiated group discount and the same covered benefits for both medical and pharmacy. Benefits are the same in all three plans; other aspects differ such as premium, deductible and out of pocket costs. Retiree benefits are the same as for active employees.

Contributions

Contributions are established and may be amended by the MCHCP Board of Trustees with the authority granted under Chapter 103 of the Revised Statutes of Missouri. Contributions to MCHCP for OPEB are not legally or contractually required. For the fiscal year ended June 30, 2023, the Lottery contributed 4.10% for the period July 1, 2022 through December 31, 2022, 4.23% for the period January 1, 2023 through May 15, 2023, and 3.34% for the period May 16, 2023 through June 30, 2023 of gross active employee payroll toward its contributions. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Lottery contributions to the OPEB plan were \$313,656 for the year ended June 30, 2023.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, a liability was reported for the proportionate share of the Lottery's net OPEB liability in the SRWBT. The net OPEB liability and proportionate share were measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of this date.

The State of Missouri's proportion of the net OPEB liability is determined by dividing the State's required contributions to the SRWBT relative to the contributions of all participating reporting units, actuarially determined. At the June 30, 2022 measurement date, the Lottery's proportion of the State's net OPEB liability was .43%, an increase from Lottery's .42% proportion at the June 30, 2021 measurement date. The components of Lottery's net OPEB liability at June 30, 2023 are as follows:

| | |
|--------------------------------|-------------|
| Total Lottery OPEB Liability | \$6,745,653 |
| Lottery Fiduciary Net Position | 817,497 |
| Lottery Net OPEB Liability | 5,928,156 |

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12. Other Post-Employment Benefits Plan (continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended June 30, 2023, the Lottery recognized OPEB expense of \$205,403. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$252,877 | \$59,710 |
| Changes of assumptions | — | 2,129,828 |
| Net difference between projected and actual earnings on OPEB plan investments | 55,048 | — |
| Changes in proportion and difference between Lottery contributions and proportionate share of contributions | 2,657 | 8,350 |
| Lottery contributions subsequent to the measurement date | 313,656 | — |
| Total | <u>\$624,238</u> | <u>\$2,197,888</u> |

Amounts reported as deferred outflows of resources related to OPEB resulting from Lottery contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended June 30</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|---------------------------|---|
| 2024 | \$ (290,367) |
| 2025 | (291,254) |
| 2026 | (294,625) |
| 2027 | (284,065) |
| 2028 | (280,594) |
| Thereafter | (446,401) |
| Total | <u>\$ (1,887,306)</u> |

Actuarial Assumptions

Actuarial valuations for the SRWBT involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation to determine the SRWBT's total OPEB liability is required to be performed at least every two years. The SRWBT valuation is performed annually, but should the valuation not be performed as of the fiscal year end, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the SRWBT plan's fiscal year end. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term

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12. Other Post-Employment Benefits Plan (continued)

Actuarial Assumptions (continued)

perspective of the calculations. The collective total OPEB liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2022. The actuarial valuations used the following actuarial assumptions:

| | |
|-------------------------------|--|
| Valuation Year | July 1, 2021 - June 30, 2022 |
| Actuarial Cost Method | Entry age normal, level percentage of payroll |
| Asset Valuation Method | Market value |
| Discount Rate | 5.5% |
| Projected Payroll Growth Rate | 4.0% |
| Inflation Rate | 3.0% |

Health care cost trend rate (Medical & prescription drugs combined)

Non-Medicare is 6.50% for fiscal year 2023 through 2025; the rate decreases by 0.25% per year to an ultimate rate of 5.0% in fiscal year 2031. Medicare is 14.50% in fiscal year 2023, 15.00% in fiscal year 2024, 11.50% in fiscal year 2025; 10.50% in fiscal year 2026, then decreasing by 0.75% per year to a rate of 5.25% in fiscal year 2033, then 5.00% in fiscal year 2034 and after.

Mortality rates pre-retirement are based on Pri-2012 Employee Amount-weighted Mortality Table projected generationally using MP-2021. Annuitant rates are based on Pri-2012 Retiree Amount-weighted Mortality Table projected generationally using MP-2021.

The last experience study was conducted in July 2020. Termination rates, retirement rates, participation and dependent coverage assumptions were updated as a result of the experience study. Per capita claim costs, administrative expenses and retirees contributions were updated based upon an analysis of 2023 rates.

Long-Term Expected Rate of Return

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are listed below:

| Asset Class | Target Allocation | Expected Real Return |
|------------------------|-------------------|----------------------|
| Large cap stocks | 19% | 8.5% |
| Mid cap stocks | 6% | 8.8% |
| Small cap stocks | 9% | 8.8% |
| International stocks | 5% | 9.0% |
| BarCap Aggregate bonds | 59% | 3.9% |
| Cash equivalents | 2% | 2.8% |

Discount Rate

A discount rate of 5.50% was used to measure the total OPEB liabilities. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. The discount rate is determined as a blend of the best estimate of expected return on plan assets and the 20-year high quality municipal bond rate as of the measurement date. For years where expected benefit payments can be covered by projected trust assets, expected returns are used. For years where payments are not expected to be covered by trust assets, the municipal Bond Buyer 20-Bond General Obligation Index rate is utilized.

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12. Other Post-Employment Benefits Plan (continued)

Sensitivity of the Lottery's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

As required by GASB Statement No. 75, the following table presents the Lottery's proportionate share of the SRWBT's net OPEB liability, as well as what the Lottery's share of net OPEB liability would be if it were calculated using a discount rate and health care cost trend rates that are one percent lower or one percent higher than current rates:

| | 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|--|--------------------|--|--------------------|
| | 4.50% | 5.50% | 6.50% |
| Lottery's Proportionate Share of Net OPEB Liability | \$6,988,019 | \$5,928,156 | \$5,077,045 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|--------------------|---------------------------|--------------------|
| Lottery's Proportionate Share of Net OPEB Liability | \$5,065,516 | \$5,928,156 | \$7,001,215 |

13. SBITAS

The Lottery has certain IT arrangements that meet the definition of a SBITA pursuant to GASB 96. The SBITAs expire at various dates through 2025 and provide for renewal options up to two years.

Principal and interest requirements to maturity for the subscription liability are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---------------------------|------------------|-----------------|------------------|
| 2024 | \$378,178 | \$854 | \$379,032 |
| 2025 | — | — | — |
| 2026 | — | — | — |
| 2027 | — | — | — |
| | <u>\$378,178</u> | <u>\$854</u> | <u>\$379,032</u> |

The total amount of subscription assets and related accumulated amortization are as follows:

| | |
|--------------------------------|------------------|
| Subscription Assets | \$881,513 |
| Less: accumulated amortization | <u>(428,169)</u> |
| | <u>\$453,344</u> |

14. Contingencies

There are claims and/or lawsuits to which the Lottery is a party as a result of matters arising in the ordinary course of business. The final outcome of any claim or lawsuit is not presently determinable. Management does not anticipate the resolution of these matters to have a materially adverse effect on the financial condition of the Lottery.

15. Prior Period Adjustment

A prior period adjustment was recorded to establish the Lottery's SBITA liability pursuant to GASB 96. The adjustment increased subscription assets by \$881,513 and increased subscription liabilities by \$733,153. Net position was increased by \$148,360.

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Required Supplementary Information
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Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years - See Note below

| | <u>2023*</u> | <u>2022*</u> | <u>2021*</u> | <u>2020*</u> | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Lottery's proportion of the net pension liability (asset) | 0.44% | 0.42% | 0.42% | 0.42% | 0.41% | 0.42% | 0.35% | 0.35% |
| Lottery's proportionate share of the net pension liability (asset) | \$25,197,813 | \$19,812,551 | \$22,307,756 | \$21,173,650 | \$19,388,641 | \$18,003,639 | \$16,213,218 | \$11,183,713 |
| Lottery's covered payroll | 7,316,984 | 7,090,005 | 7,034,164 | 6,790,203 | 6,637,506 | 6,705,445 | 6,920,144 | 6,817,848 |
| Lottery's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 344.37% | 279.44% | 317.13% | 311.83% | 292.11% | 268.49% | 234.29% | 164.04% |
| Plan fiduciary net position as a percentage of the total pension liability | 53.53% | 63.00% | 55.48% | 56.72% | 59.02% | 60.41% | 63.60% | 72.62% |

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. The measurement date is as of June 30.

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Schedule of Agency Contributions
Last 10 Fiscal Years - See Note below

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Required contributions | \$2,025,537 | \$1,720,223 | \$1,622,206 | \$1,531,371 | \$1,372,300 | \$1,290,995 | \$1,137,914 | \$1,154,280 | \$1,137,217 |
| Contributions in relation to the required contribution | 2,025,537 | 1,720,223 | 1,622,206 | 1,531,371 | 1,372,300 | 1,290,995 | 1,137,914 | 1,154,280 | 1,137,217 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - |
| Lottery's covered payroll | 7,692,886 | 7,316,984 | 7,090,005 | 7,034,164 | 6,790,203 | 6,637,506 | 6,705,445 | 6,920,144 | 6,817,848 |
| Contributions as a percentage of covered payroll | 26.33% | 23.51% | 22.88% | 21.77% | 20.21% | 19.45% | 16.97% | 16.96% | 16.68% |

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedule

Changes of benefit terms: There were no changes in benefit terms for the June 30, 2022 valuation.

Changes of assumptions: Changes in assumptions since the prior year were: subsequent changes in the UAAL due to actuarial gains/losses or assumption changes are amortized as a level percentage of payroll, over closed 25-years periods; the merit component of the salary increase assumption was adjusted to partially reflect observed experience; the retiree mortality has been changed to be 104% of the Pub-2010 General Members Below Median Table set back 2 years for males and 1 year for females, future generational mortality improvement is reflected by using 100% of Scale MP-2020 through 2020 and 75% of Scale MP-2020 for years after 2020; the retirement assumption was changed to have separate tables for MSEP, MSEP 2000 and MSEP 2011; the termination assumption changed to a single table and rates are now unisex; the disability assumption was adjusted to partially reflect observed experience; the percentage of members who are assumed to be married was decreased from 60% to 50% for pre-retirement death benefits and from 70% to 65% upon retirement; the military service purchase assumptions was reduced to 3 months for MSEP and MSEP 2000 members; and adjustments were made to the loads used in estimating the cost of the immediate unreduced survivor annuity payable to a beneficiary, upon the death of a deferred member.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Required Supplementary Information
June 30, 2023

Schedule of Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years - See Note Below

| | <u>2023*</u> | <u>2022*</u> | <u>2021*</u> | <u>2020*</u> | <u>2019*</u> | <u>2018*</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Lottery's proportion of the State's net OPEB liability (asset) | 0.43% | 0.42% | 0.43% | 0.42% | 0.42% | 0.42% |
| Lottery's proportionate share of the State's net OPEB liability (asset) | \$ 5,928,156 | \$ 7,234,107 | \$ 7,539,380 | \$ 7,487,627 | \$ 7,422,823 | \$ 7,473,049 |
| Lottery's covered payroll | 6,891,025 | 7,184,314 | 6,777,017 | 6,714,175 | 6,681,339 | 6,191,921 |
| Lottery's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 86.03% | 100.69% | 111.25% | 111.52% | 111.10% | 120.69% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.12% | 10.14% | 8.24% | 7.31% | 6.90% | 6.64% |

*Based on the end of the preceding fiscal year.

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedule

Changes of benefit terms: There were no changes to benefit terms for the June 30, 2022 valuation.

Changes of assumptions: The discount rate changed from 4.50% to 5.50%.

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Statistical Section

(Unaudited)

Missouri State Lottery Commission Statistical Information Section

This section of the Missouri State Lottery Commission's annual comprehensive financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Lottery's overall financial health.

| Contents | Page |
|--|-------------|
| Financial Trends | 49 |
| These schedules contain trend information from the current year and prior years' annual comprehensive financial reports to help a reader understand how the Lottery's financial performance and position have changed over time. | |
| Revenue Capacity | 56 |
| These schedules contain information to help the reader assess factors affecting the Lottery's ability to generate sales of lottery tickets. Scratchers ticket game strategies, such as price points and launch schedules, affect the selection and availability of products for sale at retail locations. Information for draw sales by game, included in the financial trends section, provides data about the various drawing based games that are available to the public. The Lottery's statewide retailer network determines the market exposure for Scratchers and Draw Games. | |
| Demographic and Economic Information | 60 |
| These schedules contain demographic and economic indicators to help a reader understand the environment in which the Lottery operates. | |
| Operating Information | 63 |
| These schedules contain information about the Lottery's organizational structure, financial performance indicators compared to other lotteries in the United States and capital asset information | |

Financial Trends

Information for the Missouri State Lottery Commission for the last ten fiscal years, 2014 through 2023, is presented in the accompanying schedules and charts. The Missouri State Lottery Commission was created on November 6, 1984 by the passage of a constitutional amendment and began selling tickets in January 1986.

The following information is presented in the accompanying schedules and charts:

Revenue – includes sales, interest income, retailer fees and other income amounts. Interest income does not reflect interest from investments for Lotto payments.

Sales – reflects the face value of lottery tickets.

Retailer commission and incentives – includes the base commission and cashing, promotional and program incentive payments.

Prizes – reflects the liability incurred for payments to winners.

Ticket costs – includes the cost of Scratchers printing and payments to the Draw Games and Pull-Tabs service providers.

Administration – includes all operating expenses not included in prizes, retailer commissions and incentives or ticket costs.

Transfers to the State – reflects the transfer of net income, excluding unrealized gains on investments, amortization of grand-prize winner liability, and changes in net position related to pensions and other post-employment benefits, to the Lottery Proceeds Fund for fiscal years 2014 through 2023. Transfers made during fiscal year 2023 include \$19,687,962 of unclaimed prizes. The Lottery Proceeds Fund is appropriated by the Missouri State General Assembly to the Department of Higher Education and the Department of Elementary and Secondary Education. Profits not yet transferred are shown on the statement of net position as a liability.

Expenses and transfers – includes prizes, retailer commissions and incentives, ticket costs and administration costs as described above, as well as transfers made to the state.

Unless otherwise noted, the source for the data used to prepare the following schedules and charts is the Financial Accounting Section of the Missouri State Lottery Commission.

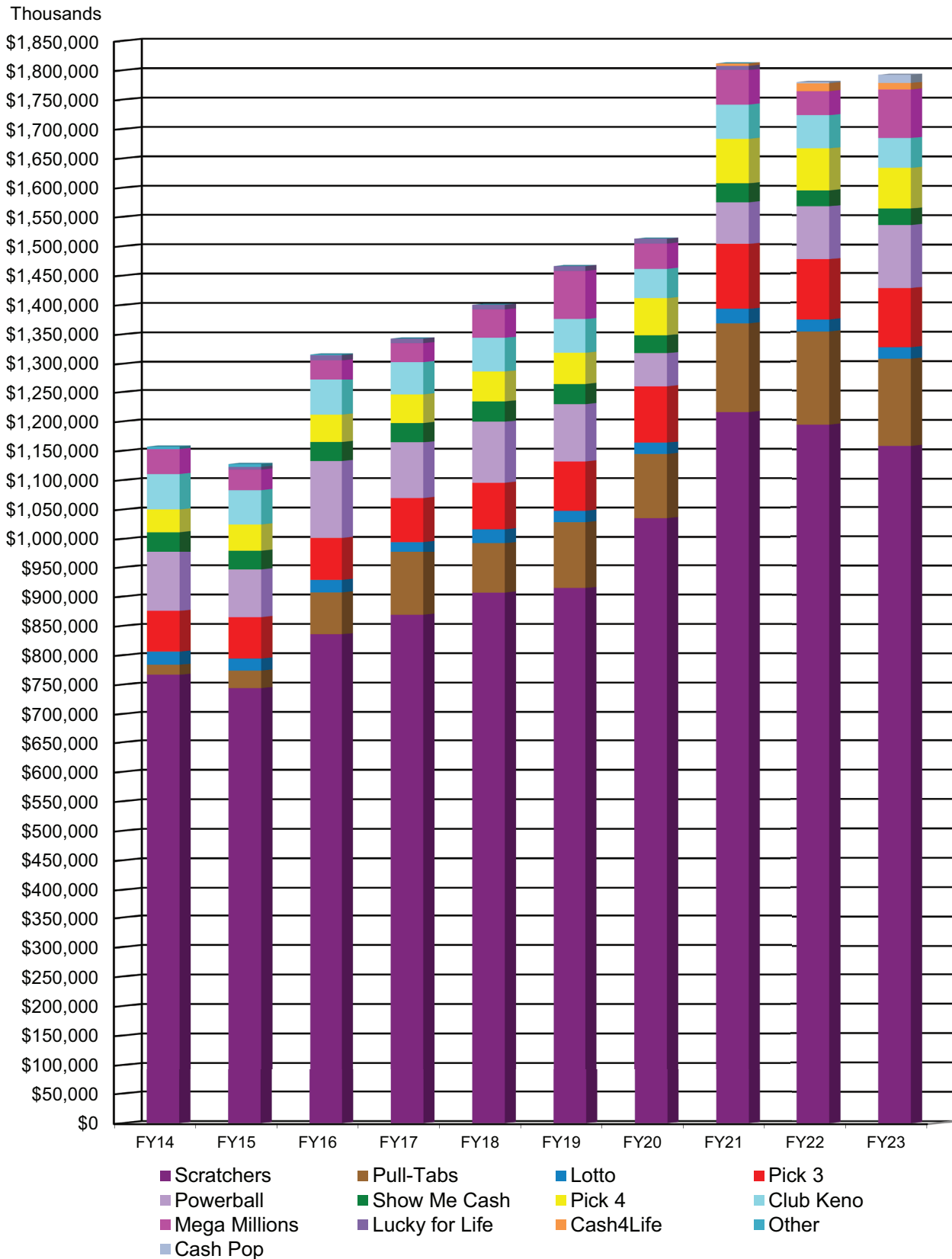
Missouri State Lottery Commission
Schedule of Changes in Net Position and Schedule of Net Position
Last Ten Fiscal Years
(Unaudited)

| | 2014 | 2015 | 2016 | 2017 |
|--|---------------|---------------|---------------|----------------|
| Operating Revenues | | | | |
| Scratchers ticket sales | \$766,609,691 | \$743,764,015 | \$835,592,355 | \$868,860,724 |
| Draw Game ticket sales | | | | |
| Lotto | 22,610,711 | 20,643,747 | 21,374,724 | 18,280,882 |
| Pick 3 | 69,264,771 | 70,473,352 | 73,244,815 | 74,396,147 |
| Powerball | 100,524,928 | 81,534,778 | 130,774,026 | 94,886,472 |
| Show Me Cash | 31,845,652 | 30,411,294 | 29,260,709 | 29,834,262 |
| Pick 4 | 38,840,458 | 44,672,747 | 46,410,375 | 48,279,354 |
| Club Keno | 60,109,683 | 58,358,785 | 59,642,782 | 56,746,940 |
| Mega Millions | 42,499,882 | 34,946,306 | 34,603,961 | 32,172,193 |
| Show Me Cash EZ Match | 3,483,316 | 3,212,177 | 3,293,204 | 2,987,888 |
| \$250K Triple Play | 4,237,043 | 4,001,958 | 1,518,956 | - |
| Lucky For Life | - | 4,636,613 | 8,429,647 | 7,818,884 |
| Lotto EZ Match | - | - | - | 241,215 |
| Pick 3 EZ Match | - | - | - | 534,136 |
| Pick 4 EZ Match | - | - | - | 448,894 |
| Monopoly Millionaire's Club | - | 807,895 | - | - |
| Cash4Life | - | - | - | - |
| Cash4Life EZ Match | - | - | - | - |
| Cash Pop | - | - | - | - |
| Total draw game ticket sales | 373,416,444 | 353,699,652 | 408,553,199 | 366,627,267 |
| Pull-Tab ticket sales | 17,024,939 | 29,891,139 | 71,479,292 | 107,177,118 |
| Total sales | 1,157,051,074 | 1,127,354,806 | 1,315,624,846 | 1,342,665,109 |
| Other Operating Revenues | 92,041 | 460,531 | 203,982 | 122,247 |
| Total operating revenues | 1,157,143,115 | 1,127,815,337 | 1,315,828,828 | 1,342,787,356 |
| Operating Expenses | | | | |
| Direct costs | | | | |
| Prize expense | 766,226,926 | 755,428,901 | 888,861,166 | 932,097,045 |
| Retailer compensation | 70,560,397 | 68,399,542 | 78,001,381 | 78,489,752 |
| Ticket costs | 17,911,043 | 16,163,284 | 23,705,430 | 23,623,749 |
| Total direct costs | 854,698,366 | 839,991,727 | 990,567,977 | 1,034,210,546 |
| Administrative expenses | 39,492,161 | 33,486,809 | 34,450,976 | 36,297,356 |
| Total operating expenses | 894,190,527 | 873,478,536 | 1,025,018,953 | 1,070,507,902 |
| Operating Income | 262,952,588 | 254,336,801 | 290,809,875 | 272,279,454 |
| Nonoperating Revenues (Expenses) | | | | |
| Interest income | 82,805 | 77,934 | 104,369 | 186,447 |
| Unclaimed prizes* | 14,437,266 | 16,788,784 | 12,023,258 | 19,209,102 |
| Net increase (decrease) in the fair value of investments | 1,077,556 | 1,342,321 | 3,018,090 | (1,098,544) |
| Amortization of grand prize winner liability | (1,818,487) | (1,644,196) | (1,501,380) | (1,370,943) |
| Gain (loss) on disposal of assets | 65,420 | 49,465 | 13,335 | (18,788) |
| Transfers to the state | (277,538,079) | (271,252,985) | (302,582,776) | (291,583,694) |
| Total nonoperating expenses | (263,693,519) | (254,638,677) | (288,925,104) | (274,676,420) |
| Changes In Net Position | (740,931) | (301,876) | 1,884,771 | (2,396,966) |
| Total Net Position, Beginning of Year | 5,630,353 | 4,889,422 | (5,246,678) | (5,246,678) |
| Prior Period Adjustment | - | (9,834,224) | - | (3,361,907) |
| Total Net Position, End of Year | \$4,889,422 | \$(5,246,678) | \$(3,361,907) | \$(12,731,223) |
| * - effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers all unclaimed prizes to the Lottery Proceeds Fund | | | | |
| Net Position | | | | |
| Invested in capital assets | \$2,859,744 | \$2,363,309 | \$2,935,542 | \$2,969,888 |
| Unrestricted | (2,859,744) | (12,197,533) | (12,401,704) | (19,335,879) |
| Restricted | 4,889,422 | 4,587,546 | 6,104,255 | 3,634,768 |
| Total Net Position | \$4,889,422 | \$(5,246,678) | \$(3,361,907) | \$(12,731,223) |

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| <u>\$906,750,562</u> | <u>\$914,449,548</u> | <u>\$1,035,198,988</u> | <u>\$1,215,705,180</u> | <u>\$1,195,318,049</u> | <u>\$1,159,257,494</u> |
| 22,911,132 | 18,671,459 | 18,730,558 | 23,854,782 | 19,759,831 | 18,915,646 |
| 78,714,007 | 83,426,776 | 95,182,970 | 109,946,003 | 103,805,730 | 100,012,015 |
| 103,895,726 | 97,546,934 | 58,353,712 | 71,308,315 | 89,999,012 | 109,115,349 |
| 31,710,747 | 31,721,903 | 28,003,732 | 30,065,011 | 25,194,858 | 26,163,775 |
| 52,354,221 | 54,674,668 | 62,867,411 | 75,046,718 | 70,994,468 | 68,818,082 |
| 57,363,460 | 57,329,788 | 49,855,758 | 58,460,427 | 56,508,126 | 50,802,774 |
| 48,248,806 | 81,815,047 | 43,076,897 | 58,814,950 | 40,708,465 | 82,504,727 |
| 2,744,743 | 2,623,355 | 2,334,210 | 2,328,852 | 1,871,957 | 1,817,029 |
| - | - | - | - | - | - |
| 7,938,172 | 8,240,962 | 8,225,273 | 6,945,335 | - | - |
| 626,752 | 602,855 | 648,731 | 841,855 | 738,795 | 738,349 |
| 499,714 | 482,942 | 519,521 | 566,920 | 506,609 | 461,554 |
| 426,778 | 391,317 | 429,540 | 492,432 | 417,919 | 387,158 |
| - | - | - | - | - | - |
| - | - | - | 3,905,455 | 12,603,155 | 10,418,724 |
| - | - | - | 273,776 | 757,391 | 573,976 |
| - | - | - | - | 2,248,608 | 13,975,751 |
| <u>407,434,258</u> | <u>437,528,006</u> | <u>368,228,313</u> | <u>442,850,831</u> | <u>426,114,924</u> | <u>484,704,909</u> |
| <u>86,031,403</u> | <u>114,051,149</u> | <u>109,282,738</u> | <u>152,933,048</u> | <u>158,512,368</u> | <u>148,253,356</u> |
| 1,400,216,223 | 1,466,028,703 | 1,512,710,039 | 1,811,489,059 | 1,779,945,341 | 1,792,215,759 |
| 141,620 | 173,686 | 339,873 | 760,896 | 128,698 | 379,994 |
| <u>1,400,357,843</u> | <u>1,466,202,389</u> | <u>1,513,049,912</u> | <u>1,812,249,955</u> | <u>1,780,074,039</u> | <u>1,792,595,753</u> |
| 939,479,882 | 1,015,091,349 | 1,062,489,795 | 1,266,025,780 | 1,264,391,793 | 1,253,562,355 |
| 82,609,174 | 85,644,851 | 89,670,852 | 106,448,863 | 104,209,764 | 104,801,282 |
| 26,730,754 | 27,756,254 | 26,600,846 | 36,226,684 | 32,292,593 | 34,679,829 |
| 1,048,819,810 | 1,128,492,454 | 1,178,761,493 | 1,408,701,327 | 1,400,894,150 | 1,393,043,466 |
| 38,007,277 | 39,610,006 | 28,516,590 | 25,465,861 | 24,093,306 | 24,432,280 |
| <u>1,086,827,087</u> | <u>1,168,102,460</u> | <u>1,207,278,083</u> | <u>1,434,167,188</u> | <u>1,424,987,456</u> | <u>1,417,475,746</u> |
| <u>313,530,756</u> | <u>298,099,929</u> | <u>305,771,829</u> | <u>378,082,767</u> | <u>355,086,583</u> | <u>375,120,007</u> |
| 464,854 | 907,464 | 692,833 | 217,720 | 196,410 | 1,070,950 |
| 18,050,899 | 18,359,576 | 13,197,121 | 16,063,183 | 29,134,511 | 19,687,962 |
| (313,392) | 2,415,701 | 3,430,771 | (1,182,283) | (2,877,399) | (364,776) |
| (1,309,933) | (1,232,986) | (1,175,500) | (1,157,131) | (1,085,616) | (999,338) |
| 31,570 | 65,709 | 58,408 | 22,077 | 36,316 | 53,292 |
| <u>(333,392,723)</u> | <u>(319,376,658)</u> | <u>(321,928,487)</u> | <u>(397,155,502)</u> | <u>(386,434,609)</u> | <u>(396,865,395)</u> |
| <u>(316,468,725)</u> | <u>(298,861,194)</u> | <u>(305,724,854)</u> | <u>(383,191,936)</u> | <u>(361,030,387)</u> | <u>(377,417,305)</u> |
| (2,396,966) | (2,937,969) | (761,265) | 46,975 | (5,109,169) | (2,297,298) |
| <u>(12,731,223)</u> | <u>(15,669,192)</u> | <u>(\$16,430,457)</u> | <u>(16,383,482)</u> | <u>(21,492,651)</u> | <u>(27,436,455)</u> |
| - | - | - | - | - | 148,360 |
| <u>\$(15,669,192)</u> | <u>\$(16,430,457)</u> | <u>\$(16,383,482)</u> | <u>\$(21,492,651)</u> | <u>\$(27,436,455)</u> | <u>\$(29,585,393)</u> |
| | | | | | |
| \$2,594,509 | \$2,292,937 | \$2,296,556 | \$1,797,858 | \$1,272,391 | \$1,983,716 |
| (20,275,144) | (21,917,552) | (24,129,467) | (26,400,524) | (28,708,846) | (31,569,109) |
| 2,011,443 | 3,194,158 | 5,449,429 | 3,110,015 | - | - |
| <u>\$(15,669,192)</u> | <u>\$(16,430,457)</u> | <u>\$(16,383,482)</u> | <u>\$(21,492,651)</u> | <u>\$(27,436,455)</u> | <u>\$(29,585,393)</u> |

Note: In fiscal years 2015 and 2017, prior period adjustments were recorded to establish the Lottery's net pension liability pursuant to GASB 68 and net OPEB liability pursuant to GASB 75, respectively.

Missouri State Lottery Commission
Sales By Product
Last Ten Fiscal Years
(Unaudited)

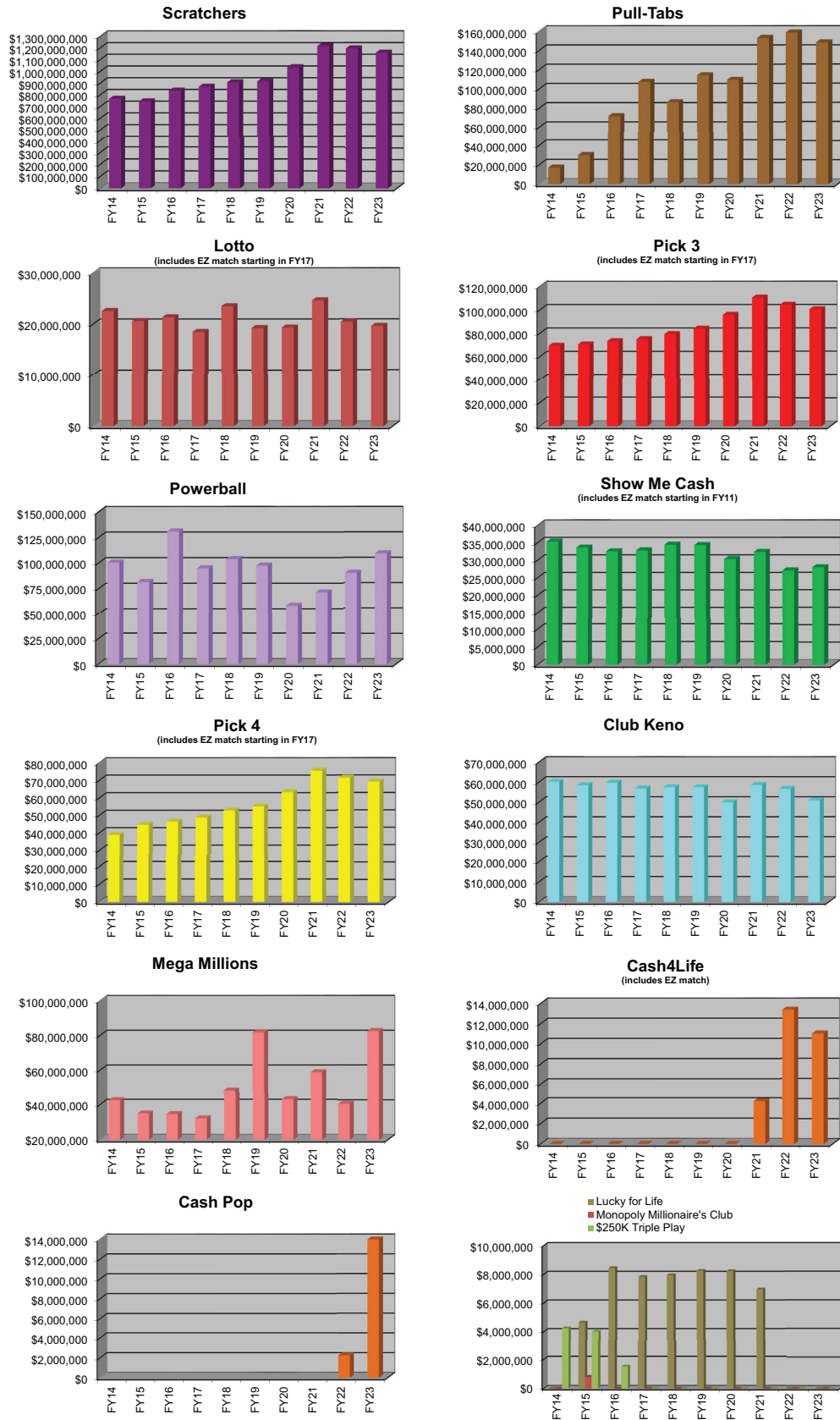


Missouri State Lottery Commission

Sales By Fiscal Year By Product Line

Last Ten Fiscal Years

(Unaudited)

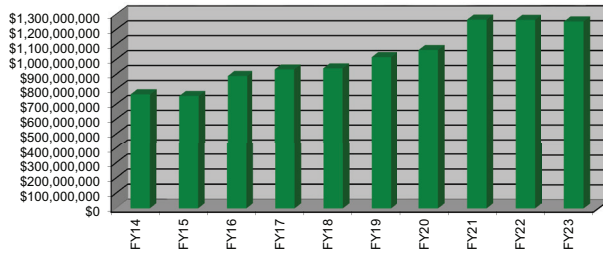


**Missouri State Lottery Commission
Expenses and Transfers
Last Ten Fiscal Years
(Unaudited)**

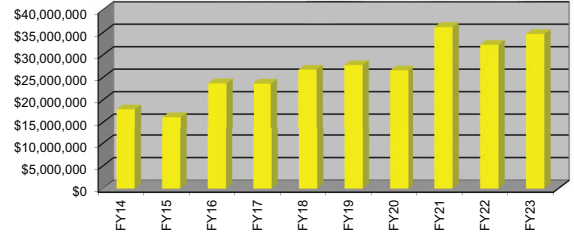


Missouri State Lottery Commission Expenses and Transfers Last Ten Fiscal Years (Unaudited)

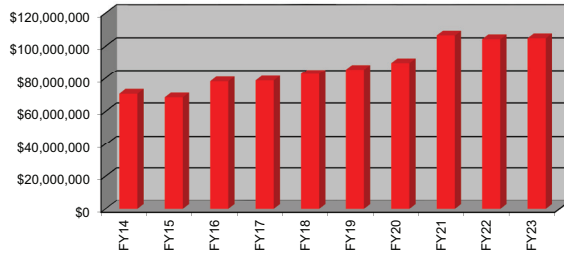
Prizes



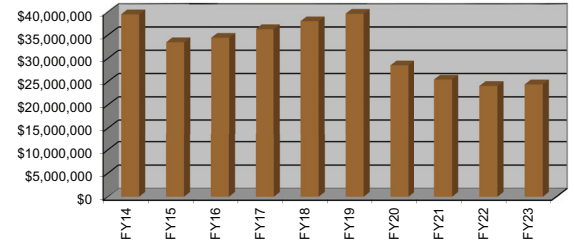
Ticket Costs



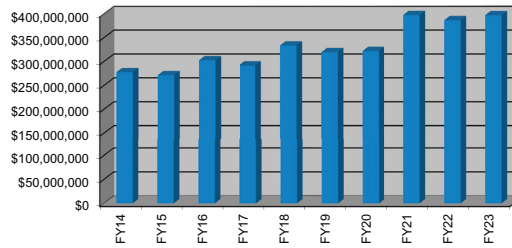
Retailer Compensation



Administration



Transfers to the State



Missouri State Lottery Commission
Schedule of Scratchers Ticket Game Launches and Sales By Price Point
Last Ten Fiscal Years
(Unaudited)

| Price Point | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Number of Launches | | | | | |
| \$1 | 6 | 6 | 8 | 8 | 7 |
| \$2 | 10 | 9 | 11 | 11 | 10 |
| \$3 | 8 | 6 | 6 | 6 | 5 |
| \$5 | 16 | 14 | 14 | 14 | 15 |
| \$10 | 3 | 3 | 3 | 4 | 5 |
| \$20 | 2 | 3 | 3 | 3 | 2 |
| \$30 | - | - | 1 | - | 1 |
| \$50 | - | - | - | - | - |
| Total | 45 | 41 | 46 | 46 | 45 |
| Sales | | | | | |
| \$1 | \$67,530,816 | \$70,466,360 | \$69,556,923 | \$61,404,484 | \$61,455,342 |
| \$2 | 133,719,339 | 115,372,245 | 125,658,860 | 120,259,769 | 116,516,076 |
| \$3 | 70,847,146 | 76,015,501 | 80,490,586 | 81,931,742 | 80,019,178 |
| \$5 | 245,810,603 | 231,533,175 | 235,525,993 | 246,784,001 | 273,134,172 |
| \$10 | 98,581,760 | 94,803,988 | 95,754,447 | 120,826,419 | 135,128,381 |
| \$20 | 150,120,027 | 155,572,746 | 149,331,212 | 122,653,907 | 112,895,469 |
| \$30 | - | - | 79,274,333 | 115,000,402 | 127,601,943 |
| \$50 | - | - | - | - | - |
| | \$766,609,691 | \$743,764,015 | \$835,592,355 | \$868,860,724 | \$906,750,562 |

| 2019 | 2020 | 2021 | 2022 | 2023 | % of Total 2023 |
|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 9 | 6 | 7 | 7 | 7 | 16.28% |
| 8 | 8 | 7 | 7 | 7 | 16.28% |
| 6 | 5 | 4 | 5 | 4 | 9.30% |
| 14 | 17 | 14 | 13 | 13 | 30.23% |
| 3 | 6 | 5 | 6 | 6 | 13.95% |
| 3 | 3 | 5 | 4 | 4 | 9.30% |
| - | 1 | 1 | 2 | 1 | 2.33% |
| - | - | - | 1 | 1 | 2.33% |
| 43 | 46 | 43 | 45 | 43 | 100.00% |
| \$63,970,204 | \$57,805,218 | \$58,246,327 | \$48,260,597 | \$46,584,788 | 4.02% |
| 107,261,671 | 98,566,281 | 96,365,938 | 78,993,423 | 75,020,459 | 6.47% |
| 75,553,505 | 77,902,699 | 86,863,992 | 74,106,752 | 67,362,140 | 5.81% |
| 270,818,966 | 296,796,688 | 304,008,219 | 276,204,849 | 253,376,432 | 21.86% |
| 136,449,859 | 168,467,536 | 196,971,642 | 185,623,239 | 173,690,582 | 14.98% |
| 120,019,568 | 166,185,406 | 225,396,050 | 194,934,675 | 206,367,869 | 17.80% |
| 140,375,775 | 169,475,160 | 247,853,013 | 224,501,044 | 152,734,044 | 13.18% |
| - | - | - | 112,693,470 | 184,121,181 | 15.88% |
| \$914,449,548 | \$1,035,198,988 | \$1,215,705,180 | \$1,195,318,049 | \$1,159,257,494 | 100.00% |

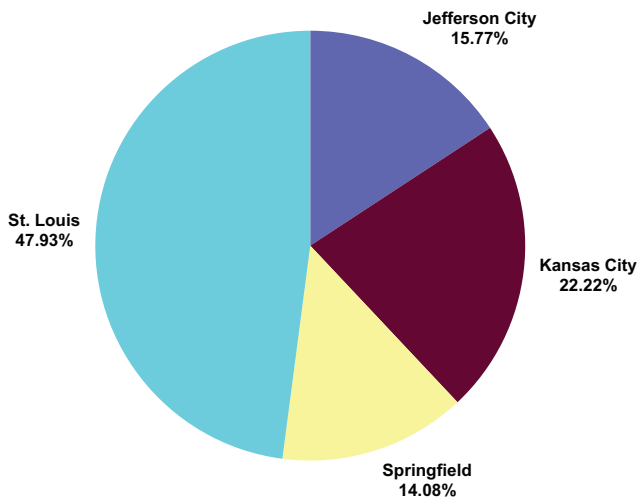
Missouri State Lottery Commission
Schedule of Lottery Retailers and Sales By Region
Last Ten Fiscal Years
(Unaudited)

| Region | Number of Retailers | | | | | | | | | |
|------------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Jefferson City | 921 | 906 | 884 | 899 | 905 | 900 | 887 | 901 | 907 | 910 |
| Kansas City | 1,249 | 1,203 | 1,191 | 1,163 | 1,164 | 1,162 | 1165 | 1198 | 1195 | 1209 |
| Springfield | 811 | 811 | 828 | 816 | 816 | 815 | 832 | 851 | 855 | 859 |
| St. Louis | 1,906 | 1,872 | 1,829 | 1,831 | 1,827 | 1,821 | 1805 | 1848 | 1850 | 1838 |
| Total Statewide | 4,887 | 4,792 | 4,732 | 4,709 | 4,712 | 4,698 | 4,689 | 4,798 | 4,807 | 4,816 |

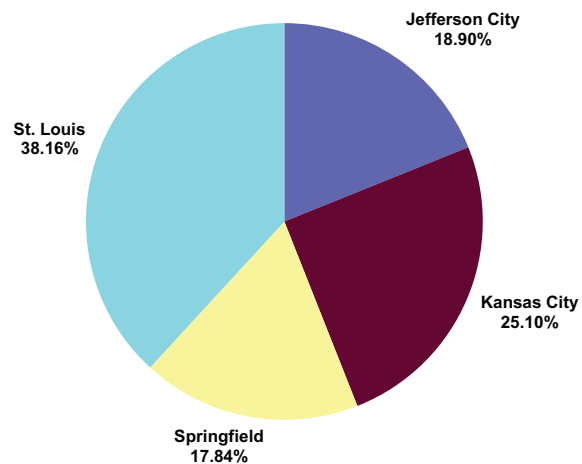
| Region | Total Sales | | | | | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Jefferson City | \$189,640,671 | \$187,591,840 | \$219,051,537 | \$225,030,672 | \$228,935,352 | \$233,098,564 | \$244,151,400 | \$295,816,163 | \$286,749,194 | \$282,632,425 |
| Kansas City | 250,154,442 | 236,857,245 | 278,649,342 | 279,408,609 | \$291,805,061 | \$307,572,822 | \$317,366,566 | \$373,529,044 | \$381,442,287 | \$398,230,342 |
| Springfield | 180,731,378 | 176,994,705 | 206,553,101 | 212,812,420 | \$223,474,509 | \$231,632,535 | \$234,470,056 | \$276,070,933 | \$260,228,009 | \$252,343,979 |
| St. Louis | 536,524,583 | 525,911,017 | 611,370,866 | 625,413,408 | \$656,001,300 | \$693,724,782 | \$716,722,017 | \$866,072,919 | \$851,525,851 | \$859,009,013 |
| Total Statewide | \$1,157,051,074 | \$1,127,354,806 | \$1,315,624,846 | \$1,342,665,109 | \$1,400,216,223 | \$1,466,028,703 | \$1,512,710,039 | \$1,811,489,059 | \$1,779,945,341 | \$1,792,215,759 |

FY2023

Percentage of Total Sales by Region



Percentage of Retailers By Region



Source: Missouri State Lottery Commission Research Section

| % of Total Retailers | | | | | | | | | |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 18.85% | 18.91% | 18.68% | 19.09% | 19.21% | 19.16% | 18.92% | 18.78% | 18.87% | 18.90% |
| 25.56% | 25.10% | 25.17% | 24.70% | 24.70% | 24.73% | 24.85% | 24.97% | 24.86% | 25.10% |
| 16.59% | 16.92% | 17.50% | 17.33% | 17.32% | 17.35% | 17.74% | 17.74% | 17.79% | 17.84% |
| 39.00% | 39.07% | 38.65% | 38.88% | 38.77% | 38.76% | 38.49% | 38.52% | 38.49% | 38.16% |
| 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| % of Total Sales | | | | | | | | | |
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 16.39% | 16.64% | 16.65% | 16.76% | 16.35% | 15.90% | 16.14% | 16.33% | 16.11% | 15.77% |
| 21.62% | 21.01% | 21.18% | 20.81% | 20.84% | 20.98% | 20.98% | 20.62% | 21.43% | 22.22% |
| 15.62% | 15.70% | 15.70% | 15.85% | 15.96% | 15.80% | 15.50% | 15.24% | 14.62% | 14.08% |
| 46.37% | 46.65% | 46.47% | 46.58% | 46.85% | 47.32% | 47.38% | 47.81% | 47.84% | 47.93% |
| 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Missouri State Lottery Commission
Schedule of Demographic and Economic Statistics
Calendar Years 2014 To 2023
(Unaudited)

| Calendar Year | Statewide Population | Statewide Personal Income (millions of dollars) | Statewide Personal Income per Capita | State Unemployment Rate |
|----------------------|-----------------------------|--|---|--------------------------------|
| 2014 | 6,063,589 | \$252,325 | \$41,613 | 6.5% |
| 2015 | 6,083,672 | \$260,123 | \$42,752 | 5.8% |
| 2016 | 6,093,000 | \$266,406 | \$43,723 | 4.5% |
| 2017 | 6,113,532 | \$266,921 | \$43,661 | 3.8% |
| 2018 | 6,126,452 | \$285,704 | \$46,635 | 3.5% |
| 2019 | 6,137,428 | \$304,347 | \$49,589 | 3.5% |
| 2020 | 6,151,548 | \$314,818 | \$51,177 | 7.9% |
| 2021 | 6,168,187 | \$340,232 | \$55,159 | 4.3% |
| 2022 | 6,177,957 | \$349,370 | \$56,551 | 2.8% |
| 2023 | n/a | na | n/a | 2.6% |

Sources:

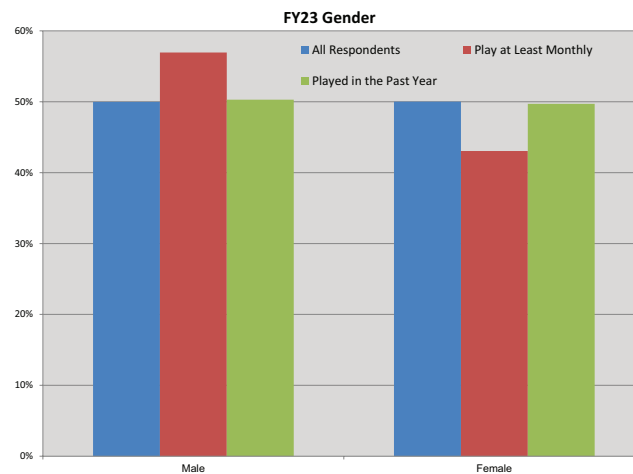
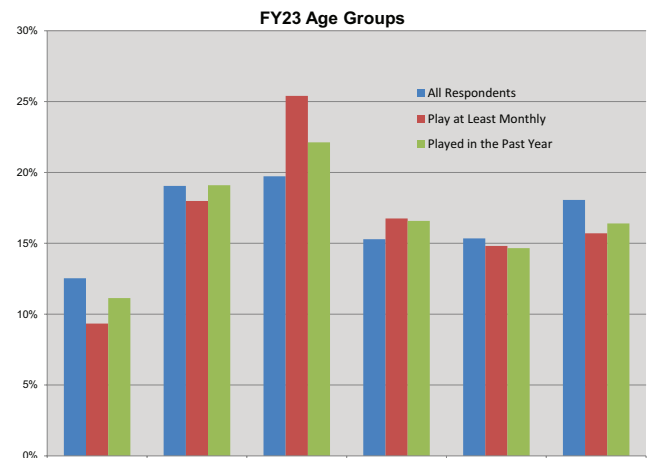
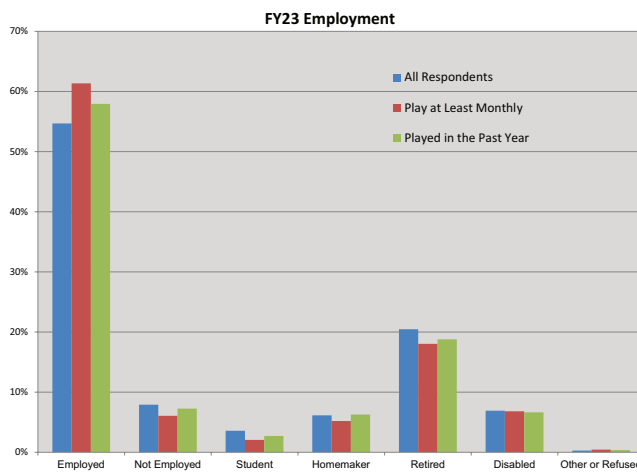
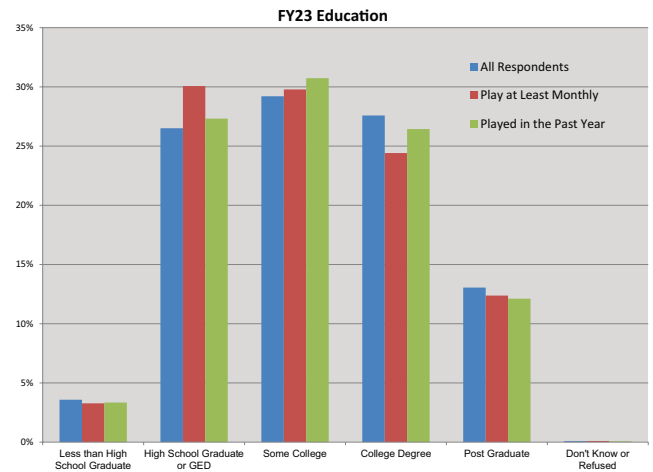
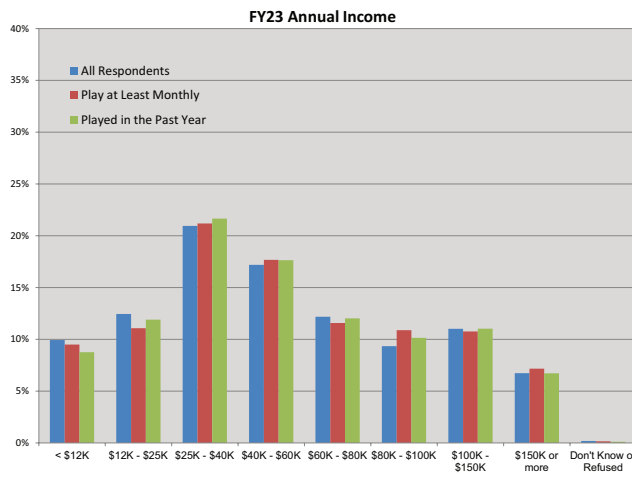
Population from U.S. Census Bureau;

Personal income from U.S. Bureau of Economic Analysis

Unemployment rate from U.S. Department of Labor, Bureau of Statistics

n/a - not yet available

Missouri State Lottery Commission Demographic Group Participation Fiscal Year 2023 (Unaudited)



Source: Missouri Lottery Track and Trend Report FY2023

**Missouri State Lottery Commission
State of Missouri Major Employers
Calendar Years 2022 and 2013
(Unaudited)**

2022

| Employer | Number of Employees | Percent of Total State Employment |
|--|----------------------------|--|
| STATE GOVERNMENT | 80,000+ | 2.84% |
| WAL-MART ASSOCIATES, INC. | 40,000 + | 1.42% |
| MHM SUPPORT SERVICES | 25,000 - 30,000 | 0.89%-1.06% |
| UNIVERSITY OF MISSOURI | 20,000 - 25,000 | 0.71%-0.89% |
| THE WASHINGTON UNIVERSITY | 20,000 - 25,000 | 0.71%-0.89% |
| US POST OFFICE | 15,000 - 20,000 | 0.53%-0.71% |
| THE BOEING COMPANY | 10,000 - 15,000 | 0.35%-0.53% |
| CERNER CORPORATION | 10,000 - 15,000 | 0.35%-0.53% |
| BARNES-JEWISH HOSPITAL | 7,500 - 10,000 | 0.27%-0.35% |
| AMAZON.COM SERVICES, INC. | 7,500 - 10,000 | 0.27%-0.35% |
| LESTER E. COX MEDICAL CENTERS | 7,500 - 10,000 | 0.27%-0.35% |
| | 242,500 - 280,000 | 8.60%-9.93% |
| Total Statewide Employment 2022 | 2,820,840 | |

2013

| Employer | Number of Employees | Percent of Total State Employment |
|--|----------------------------|--|
| STATE GOVERNMENT | 80,000+ | 3.03% |
| WAL-MART ASSOCIATES, INC. | 40,000 + | 1.52% |
| UNIVERSITY OF MISSOURI | 20,000 - 25,000 | 0.76%-0.95% |
| THE WASHINGTON UNIVERSITY | 15,000 - 20,000 | 0.57%-0.76% |
| US POST OFFICE | 10,000 - 15,000 | 0.38%-0.57% |
| THE BOEING COMPANY | 10,000 - 15,000 | 0.38%-0.57% |
| BARNES-JEWISH HOSPITAL | 7,500 - 10,000 | 0.28%-0.38% |
| SSM HEALTH CARE ST. LOUIS | 7,500 - 10,000 | 0.28%-0.38% |
| SCHNUCK MARKETS, INC. | 7,500 - 10,000 | 0.28%-0.38% |
| CERNER CORPORATION | 7,500 - 10,000 | 0.28%-0.38% |
| | 205,000 - 235,000 | 7.77%-8.91% |
| Total Statewide Employment 2013 | 2,637,270 | |

This report was compiled from the Quarterly Census of Employment and Wages (QCEW). A cooperative program between the US Department of Labor, Bureau of Labor Statistics and the Missouri Department of Higher Education and Workforce Development

**Missouri State Lottery Commission
Schedule of Lottery Employees
Last Ten Fiscal Years
(Unaudited)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Full-time | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 | 153.0 |
| Part-time | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> | <u>0.5</u> |
| Total | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> |
| Sales | | | | | | | | | | |
| Jefferson City | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Springfield | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Kansas City | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 |
| St. Louis | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Inside Sales | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Vault | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Marketing and administration | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> | <u>79.5</u> |
| Total | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> | <u>153.5</u> |

Source: Missouri State Lottery Commission Human Resource Office

**Missouri State Lottery Commission
Schedule of Operating Indicators
Last Ten Fiscal Years
(Unaudited)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Retailers- | | | | | | | | | | |
| Statewide | 4,887 | 4,792 | 4,732 | 4,709 | 4,712 | 4,698 | 4,689 | 4,798 | 4,807 | 4,816 |
| Per Capita Sales | \$191 | \$186 | \$216 | \$220 | \$229 | \$239 | \$246 | \$294 | \$289 | \$290 |

Source: Missouri State Lottery Commission Research and Licensing Sections

U.S. Lotteries' Fiscal Year 2022 Sales by Game*(Unaudited)

(in \$millions)

| Lottery | Pop. (M) | Instant | Pull tab | Draw Games | | | | | | | | | | Total Sales | PC Sales | VLT (net) |
|-------------------------|--------------|-----------------|--------------|----------------|----------------|----------------|-------------|----------------|----------------|--------------|----------------|----------------|----------------|-----------------|------------|----------------|
| | | | | 3-digit | 4-digit | Lotto | Small Bloc | Power Ball | Mega Millions | For Life | ITG | Monitor Games | Other | | | |
| Arizona | 7.4 | 1,043.2 | 14.1 | 16.8 | | 68.9 | | 117.5 | 60.2 | | 46.0 | | 1.8 | 1,368.4 | 186 | |
| Arkansas | 3.0 | 480.1 | | 12.3 | 6.5 | 9.3 | | 31.0 | 15.5 | 6.2 | 18.7 | | | 579.6 | 190 | |
| California | 39.0 | 6,830.1 | | 184.3 | 37.2 | 421.4 | | 569.9 | 372.8 | | | 437.6 | | 8,853.3 | 227 | |
| Colorado | 5.8 | 590.3 | | 15.3 | | 82.7 | | 83.1 | 35.1 | 20.4 | | | | 826.9 | 142 | |
| Connecticut | 3.6 | 801.3 | | 140.4 | 134.0 | 45.6 | | 80.0 | 39.7 | 30.5 | 38.7 | 141.9 | 151.2 | 1,603.2 | 442 | |
| Delaware | 1.0 | 110.9 | | 34.6 | 28.7 | 4.1 | 2.7 | 23.5 | 11.1 | 5.3 | | 9.7 | | 230.7 | 227 | 416.1 |
| D.C. | 0.7 | 43.9 | | 38.3 | 52.5 | | | 7.5 | 6.1 | 3.0 | 9.6 | 13.6 | 32.8 | 207.3 | 309 | |
| Florida | 22.2 | 7,025.3 | | 469.4 | 305.1 | 557.8 | | 494.1 | 239.2 | 64.8 | 10.8 | | 158.0 | 9,324.6 | 419 | |
| Georgia | 10.9 | 3,370.2 | | 606.6 | 420.2 | 127.3 | | 158.6 | 109.1 | 24.6 | 5.5 | 289.3 | 309.9 | 5,421.1 | 497 | |
| Idaho | 1.9 | 234.8 | 78.3 | 2.3 | 1.1 | 5.9 | 2.6 | 30.2 | 13.9 | 4.6 | | | 2.5 | 376.3 | 194 | |
| Illinois | 12.6 | 2,156.8 | | 305.2 | 311.1 | 221.3 | | 165.0 | 106.8 | | 129.5 | | 0.4 | 3,396.3 | 270 | |
| Indiana | 6.8 | 1,342.9 | | 49.3 | 46.1 | 77.2 | | 104.2 | 40.2 | 6.8 | 29.3 | | 6.8 | 1,702.9 | 249 | |
| Iowa | 3.2 | 293.1 | 12.7 | 9.3 | 5.6 | | 7.0 | 53.1 | 20.4 | 8.1 | 23.4 | | | 432.7 | 135 | |
| Kansas | 2.9 | 199.3 | 7.7 | 8.5 | | 8.6 | 7.3 | 35.7 | 16.0 | 7.8 | | 19.1 | 3.0 | 313.0 | 107 | |
| Kentucky | 4.5 | 963.5 | | 187.1 | 57.1 | 15.2 | | 71.1 | 35.5 | 11.7 | 14.6 | 94.6 | 30.0 | 1,480.4 | 328 | |
| Louisiana | 4.6 | 292.8 | | 70.1 | 58.3 | 31.1 | | 68.3 | 31.6 | | 20.1 | | 10.5 | 582.9 | 127 | |
| Maine | 1.4 | 311.0 | | 6.4 | 5.0 | 1.1 | 11.8 | 22.7 | 8.9 | 6.6 | 12.3 | | | 385.8 | 279 | |
| Maryland | 6.2 | 1,009.5 | | 266.6 | 373.1 | 62.1 | | 127.6 | 81.0 | 19.5 | 76.9 | 606.1 | 27.1 | 2,649.6 | 430 | 1,331.8 |
| Massachusetts | 7.0 | 3,906.9 | | | 358.1 | 117.2 | | 132.0 | 76.7 | 44.9 | | 1,217.2 | 2.6 | 5,855.6 | 839 | |
| Michigan | 10.0 | 2,381.0 | 43.2 | 486.2 | 584.5 | 123.4 | | 169.4 | 175.1 | 36.6 | 95.5 | 627.0 | 175.0 | 4,896.9 | 488 | |
| Minnesota | 5.7 | 561.6 | | 22.4 | | 26.7 | 11.0 | 72.8 | 25.4 | | 13.2 | | 7.0 | 740.2 | 129 | |
| Mississippi | 2.9 | 329.3 | | 19.0 | 5.0 | 12.5 | | 36.8 | 19.3 | | | | | 421.9 | 143 | |
| Missouri | 6.2 | 1,195.3 | | 103.8 | 71.0 | 49.2 | | 90.0 | 40.7 | 12.6 | | 56.5 | 160.9 | 1,780.1 | 288 | |
| Montana ¹ | 1.1 | 25.5 | | | | 9.2 | 2.0 | 12.4 | 5.0 | 3.7 | 7.9 | | 50.4 | 116.0 | 103 | |
| Nebraska | 2.0 | 117.2 | | 7.6 | | 16.9 | 2.1 | 35.7 | 14.6 | 8.1 | | | | 202.3 | 103 | |
| N. Hampshire | 1.4 | 313.8 | | 5.4 | 4.9 | | 11.3 | 40.6 | 18.8 | 8.4 | 18.1 | 53.5 | 53.0 | 527.9 | 378 | |
| New Jersey ¹ | 9.3 | 2,056.9 | | 432.4 | 274.9 | 220.3 | | 241.0 | 147.2 | 59.0 | 40.2 | 158.3 | 4.0 | 3,634.2 | 392 | |
| New Mexico | 2.1 | 80.1 | | 4.9 | 1.9 | 7.3 | 3.9 | 25.8 | 11.7 | | 1.1 | | | 136.9 | 65 | |
| New York | 19.7 | 4,517.7 | | 958.6 | 948.1 | 282.2 | | 358.4 | 294.6 | 120.9 | | 663.5 | 34.1 | 8,178.1 | 416 | 1,758.4 |
| N. Carolina | 10.7 | 2,649.7 | | 487.4 | 222.0 | 74.7 | | 180.4 | 83.5 | 40.8 | 65.5 | 81.2 | 1.9 | 3,887.0 | 363 | |
| N. Dakota ¹ | 0.8 | | | | | | 7.0 | 12.0 | 5.6 | 4.6 | | | | 29.2 | 38 | |
| Ohio | 11.8 | 2,287.8 | | 437.3 | 267.7 | 87.4 | | 151.3 | 99.5 | 37.6 | 208.7 | 649.5 | 64.4 | 4,291.2 | 365 | 1,331.3 |
| Oklahoma | 4.0 | 263.5 | | 6.9 | | 3.9 | 5.9 | 44.3 | 19.6 | 6.3 | | | | 350.3 | 87 | |
| Oregon | 4.2 | 163.4 | | | 2.0 | 35.2 | | 57.5 | 24.6 | | | 112.0 | 2.5 | 397.1 | 94 | 1,246.1 |
| Pennsylvania | 13.0 | 3,513.4 | | 282.6 | 245.6 | 309.7 | | 267.9 | 111.2 | 26.5 | 149.1 | 55.7 | 159.5 | 5,121.3 | 395 | |
| Rhode Island | 1.1 | 130.6 | 0.0 | | 22.9 | 5.9 | | 26.2 | 10.9 | 8.1 | | 89.7 | 10.9 | 305.1 | 279 | 481.2 |
| S. Carolina | 5.3 | 1,599.0 | | 289.1 | 153.3 | 28.5 | | 105.1 | 44.3 | | | 34.2 | | 2,253.6 | 427 | |
| South Dakota | 0.9 | 48.3 | | | | 2.2 | 1.8 | 14.2 | 4.5 | 4.3 | | | | 75.3 | 83 | 325.4 |
| Tennessee | 7.1 | 1,547.4 | | 81.5 | 50.6 | 15.1 | 10.4 | 108.4 | 43.7 | 12.2 | | 14.4 | 0.3 | 1,884.0 | 267 | |
| Texas | 30.0 | 6,727.3 | | 298.8 | 146.8 | 325.3 | | 405.8 | 392.9 | | | | | 8,296.9 | 276 | |
| Vermont | 0.6 | 121.3 | | 1.3 | 1.3 | | 3.9 | 9.2 | 4.2 | 2.8 | 7.5 | | | 151.5 | 234 | |
| Virginia | 8.7 | 1,325.1 | | 349.7 | 361.9 | 44.9 | | 133.4 | 92.6 | 29.5 | 57.0 | 47.0 | 1,311.4 | 3,752.4 | 432 | |
| Washington | 7.8 | 665.2 | | 21.4 | | 71.5 | | 80.6 | 48.7 | | | | 20.3 | 907.7 | 117 | |
| West Virginia | 1.8 | 168.8 | | 8.0 | 4.9 | 4.7 | 4.9 | 31.5 | 12.9 | | | 7.0 | | 242.8 | 137 | 970.9 |
| Wisconsin ¹ | 5.9 | 637.8 | 1.1 | 27.8 | 19.1 | 76.3 | | 88.7 | 36.0 | | | | 1.0 | 887.8 | 151 | |
| Wyoming | 0.6 | | | | | 8.8 | 1.8 | 9.0 | 4.9 | 2.9 | | | | 27.4 | 47 | |
| Total | 319.5 | 64,432.7 | 157.1 | 6,754.9 | 5,588.4 | 3,698.4 | 97.4 | 5,183.8 | 3,111.8 | 689.6 | 1,099.3 | 5,478.7 | 2,793.3 | 99,085.4 | 310 | 7,861.3 |
| % of total | | 65.0% | 0.2% | 6.8% | 5.6% | 3.7% | 0.1% | 5.2% | 3.1% | 0.7% | 1.1% | 5.5% | 2.8% | 100.0% | | |

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30); ¹ Unaudited sales

Source: La Fleur's 2022 World Lottery Almanac © 2023 TLF Publications, Inc. All rights reserved.

U.S. Lotteries' Fiscal Year 2022 Sales, Prizes & Government Transfers Measured by Gross State Product* (Unaudited)

| Lottery | 2022 Pop. ¹ (M) | 2022 Gross Domestic Product ² (Mil) | | | | | | | | Traditional Ticket Sales as % of GDP | Gov't Transfers as % of GDP ⁷ | Prizes as % of Ticket Sales | Gov't Transfers as % of Ticket Sales |
|----------------------------|-------------------------------|---|------------------------------------|--------------------|-----------------------|------------------------------|---------------------------------------|------------|-----------|--------------------------------------|--|-----------------------------|--------------------------------------|
| | | | Ticket Sales ³ (Mil) | VLT (net) (Mil) | Gaming (net) (Mil) | Prizes ⁴ (Mil) | Gov't Transfers ⁵ (Mil) | PC Sales | PC Gov't | | | | |
| Arizona | 7.4 | 435,310 | 1,368.4 | | | 925.4 | 269.5 | 186 | 37 | 0.314% | 0.062% | 67.63% | 19.7% |
| Arkansas | 3.0 | 153,715 | 579.6 | | | 402.4 | 99.4 | 190 | 33 | 0.377% | 0.065% | 69.43% | 17.1% |
| California | 39.0 | 3,568,888 | 8,853.3 | | | 5,825.7 | 2,020.9 | 227 | 52 | 0.248% | 0.057% | 65.80% | 22.8% |
| Colorado | 5.8 | 447,520 | 826.9 | | | 538.9 | 180.3 | 142 | 31 | 0.185% | 0.040% | 65.17% | 21.8% |
| Connecticut | 3.6 | 312,212 | 1,603.2 | | | 1,041.2 | 410.1 | 442 | 113 | 0.514% | 0.131% | 64.94% | 25.6% |
| Delaware ^{4,5} | 1.0 | 85,220 | 230.7 | 416.1 | 177.8 | 223.5 | 284.6 | 227 | 280 | 0.271% | 0.334% | 96.89% | 44.0% |
| D.C. | 0.7 | 157,671 | 207.3 | | | 114.1 | 40.7 | 309 | 61 | 0.131% | 0.026% | 55.04% | 19.6% |
| Florida | 22.2 | 1,303,945 | 9,324.6 | | | 6,245.5 | 2,333.5 | 419 | 105 | 0.715% | 0.179% | 66.98% | 25.0% |
| Georgia | 10.9 | 725,984 | 5,421.1 | | | 3,585.3 | 1,474.0 | 497 | 135 | 0.747% | 0.203% | 66.14% | 27.2% |
| Idaho | 1.9 | 100,798 | 376.3 | | | 257.1 | 73.2 | 194 | 38 | 0.373% | 0.073% | 68.33% | 19.5% |
| Illinois | 12.6 | 987,388 | 3,393.8 | | | 2,211.4 | 699.6 | 270 | 56 | 0.344% | 0.071% | 65.16% | 20.6% |
| Indiana | 6.8 | 447,236 | 1,702.9 | | | 1,138.5 | 346.8 | 249 | 51 | 0.381% | 0.078% | 66.86% | 20.4% |
| Iowa | 3.2 | 231,651 | 432.7 | | | 274.2 | 98.0 | 135 | 31 | 0.187% | 0.042% | 63.38% | 22.6% |
| Kansas | 2.9 | 202,279 | 313.0 | | 401.0 | 191.5 | 187.4 | 107 | 64 | 0.155% | 0.093% | 61.18% | 59.9% |
| Kentucky | 4.5 | 249,047 | 1,676.5 | | | 1,152.0 | 359.3 | 372 | 80 | 0.673% | 0.144% | 68.71% | 21.4% |
| Louisiana | 4.6 | 271,519 | 582.9 | | | 328.4 | 191.2 | 127 | 42 | 0.215% | 0.070% | 56.34% | 32.8% |
| Maine | 1.4 | 80,455 | 385.8 | | | 262.4 | 72.1 | 279 | 52 | 0.480% | 0.090% | 68.01% | 18.7% |
| Maryland ^{4,5} | 6.2 | 458,827 | 2,662.7 | 1,331.8 | 717.6 | 1,689.1 | 1,527.1 | 432 | 248 | 0.580% | 0.333% | 63.44% | 38.2% |
| Massachusetts | 7.0 | 673,789 | 5,855.6 | | | 4,311.2 | 1,105.4 | 839 | 158 | 0.869% | 0.164% | 73.62% | 18.9% |
| Michigan | 10.0 | 603,911 | 4,896.9 | | | 3,096.0 | 1,255.0 | 488 | 125 | 0.811% | 0.208% | 63.23% | 25.6% |
| Minnesota | 5.7 | 436,382 | 740.2 | | | 469.8 | 172.6 | 129 | 30 | 0.170% | 0.040% | 63.47% | 23.3% |
| Mississippi | 2.9 | 132,606 | 421.9 | | | 251.3 | 122.8 | 144 | 42 | 0.318% | 0.093% | 59.55% | 29.1% |
| Missouri | 6.2 | 379,232 | 1,779.9 | | | 1,264.4 | 400.3 | 288 | 65 | 0.469% | 0.106% | 71.04% | 22.5% |
| Montana ⁶ | 1.1 | 63,245 | 116.0 | | | 78.5 | 16.8 | 103 | 15 | 0.183% | 0.027% | 67.66% | 14.5% |
| Nebraska | 2.0 | 157,892 | 202.3 | | | 119.6 | 49.4 | 103 | 25 | 0.128% | 0.031% | 59.11% | 24.4% |
| N. Hampshire | 1.4 | 104,436 | 527.9 | | | 321.8 | 146.6 | 378 | 105 | 0.505% | 0.140% | 60.95% | 27.8% |
| New Jersey | 9.3 | 709,181 | 3,634.2 | | | 2,209.1 | 1,111.0 | 392 | 120 | 0.512% | 0.157% | 60.79% | 30.6% |
| New Mexico | 2.1 | 116,734 | 136.9 | | | 74.1 | 41.1 | 65 | 19 | 0.117% | 0.035% | 54.15% | 30.0% |
| New York ^{4,5} | 19.7 | 1,931,539 | 8,178.1 | 1,758.4 | 419.0 | 4,901.6 | 3,608.1 | 416 | 183 | 0.423% | 0.187% | 59.94% | 36.3% |
| N. Carolina | 10.7 | 696,520 | 3,887.1 | | | 2,544.0 | 932.9 | 363 | 87 | 0.558% | 0.134% | 65.45% | 24.0% |
| N. Dakota ⁶ | 0.8 | 68,449 | 29.2 | | | 15.4 | 6.7 | 37 | 9 | 0.043% | 0.010% | 52.65% | 23.0% |
| Ohio ^{4,5} | 11.8 | 777,870 | 4,297.7 | 1,331.3 | | 2,791.7 | 1,405.4 | 366 | 120 | 0.552% | 0.181% | 64.96% | 25.0% |
| Oklahoma | 4.0 | 223,333 | 350.3 | | | 226.7 | 79.3 | 87 | 20 | 0.157% | 0.036% | 64.71% | 22.6% |
| Oregon ^{4,5} | 4.2 | 268,864 | 397.1 | 1,246.1 | | 257.2 | 910.5 | 94 | 215 | 0.148% | 0.339% | 64.75% | 55.4% |
| Pennsylvania | 13.0 | 888,137 | 5,121.3 | | | 3,376.1 | 1,221.0 | 395 | 94 | 0.577% | 0.137% | 65.92% | 23.8% |
| R. Island ^{4,5} | 1.1 | 69,751 | 305.1 | 481.2 | 39.7 | 673.7 | 388.6 | 279 | 355 | 0.437% | 0.557% | 220.82% | 49.4% |
| S. Carolina | 5.3 | 286,535 | 2,253.6 | | | 1,486.9 | 561.8 | 427 | 106 | 0.786% | 0.196% | 65.98% | 24.9% |
| S. Dakota ^{4,5} | 0.9 | 64,025 | 75.2 | 325.4 | | 42.9 | 179.3 | 83 | 197 | 0.117% | 0.280% | 57.09% | 44.7% |
| Tennessee | 7.1 | 447,507 | 1,886.9 | | | 1,202.4 | 487.8 | 268 | 69 | 0.422% | 0.109% | 63.72% | 25.9% |
| Texas | 30.0 | 2,149,054 | 8,296.9 | | | 5,599.7 | 1,998.4 | 276 | 67 | 0.386% | 0.093% | 67.49% | 24.1% |
| Vermont | 0.6 | 38,425 | 151.5 | | | 100.7 | 31.1 | 234 | 48 | 0.394% | 0.081% | 66.47% | 20.6% |
| Virginia | 8.7 | 622,989 | 3,752.4 | | | 2,676.9 | 779.6 | 432 | 90 | 0.602% | 0.125% | 71.34% | 20.8% |
| Washington | 7.8 | 703,117 | 907.7 | | | 574.0 | 216.8 | 117 | 28 | 0.129% | 0.031% | 63.24% | 23.9% |
| W. Virginia ^{4,5} | 1.8 | 93,891 | 242.8 | 970.9 | 61.6 | 152.5 | 567.9 | 137 | 320 | 0.259% | 0.605% | 62.79% | 46.8% |
| Wisconsin ⁶ | 5.9 | 387,972 | 887.8 | | | 557.1 | 268.6 | 151 | 46 | 0.229% | 0.069% | 62.75% | 30.3% |
| Wyoming | 0.6 | 45,208 | 27.4 | | | 15.7 | 3.2 | 47 | 5 | 0.061% | 0.007% | 57.36% | 11.6% |
| Total | 319.5 | 23,360,259 | 99,301.2 | 7,861.3 | 1,816.7 | 65,797.3 | 28,735.8 | 311 | 90 | 0.425% | 0.123% | 66.26% | 28.9% |

* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). ¹ Source: U.S. Census Bureau

² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid

⁵ Includes government transfers for VLT operations; ⁶ Unaudited

Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

Source: La Fleur's 2022 World Lottery Almanac © 2023 TLF Publications, Inc. All rights reserved.

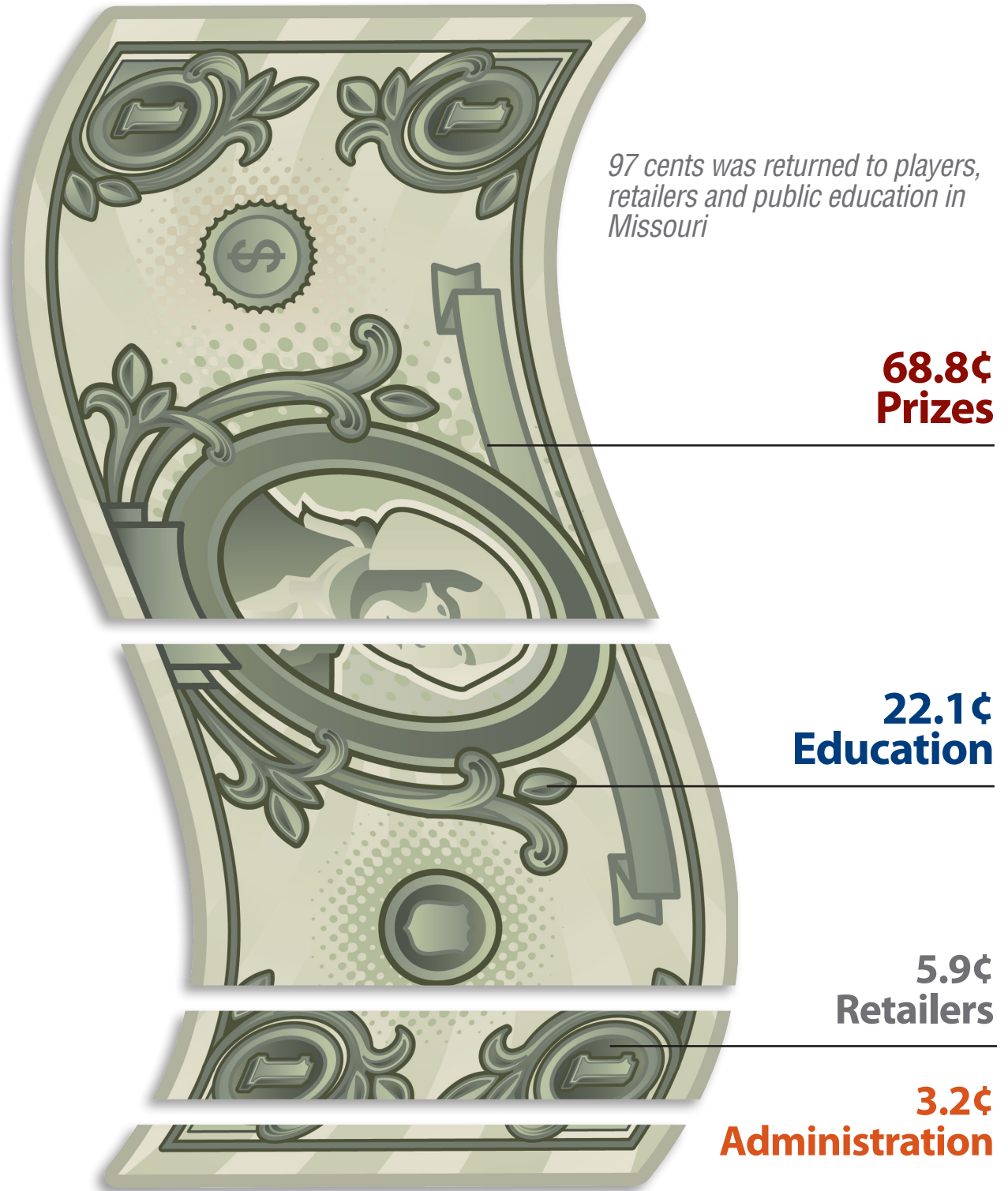
Missouri State Lottery Commission
Schedule of Capital Asset Information
Last Ten Fiscal Years
(Unaudited)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Owned buildings - square feet | | | | | | | | | | |
| Headquarters | | | | | | | | | | |
| 1823 Southridge Drive | | | | | | | | | | |
| Jefferson City, Mo. 65109 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 | 62,696 |
| Distribution Center | | | | | | | | | | |
| 911 Bubba Lane | | | | | | | | | | |
| Jefferson City, Mo. 65109 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 | 16,017 |
| Fleet of owned vehicles | | | | | | | | | | |
| Passenger vans - sales staff | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| Delivery vans | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Passenger vans - vehicle pool | 16 | 14 | 18 | 18 | 21 | 18 | 21 | 15 | 14 | 27 |
| Passenger cars - vehicle pool | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trucks | 4 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 3 |
| Event trailers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | <u>71</u> | <u>68</u> | <u>72</u> | <u>72</u> | <u>75</u> | <u>72</u> | <u>76</u> | <u>69</u> | <u>68</u> | <u>81</u> |

Source: Missouri State Lottery Commission Maintenance and Vehicle Sections

Note: The increase in vehicles in FY23 is due to the purchase of 12 vehicles near fiscal year-end. The vehicles they replaced were not taken to Surplus Property until beginning of FY24.

Division of Each Dollar Spent on the
Missouri Lottery - Fiscal Year 2023
(Unaudited)



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**Compliance
Section**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Missouri State Lottery Commission
Jefferson City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Missouri State Lottery Commission, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Missouri State Lottery Commission's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Missouri State Lottery Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Missouri State Lottery Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Missouri State Lottery Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missouri State Lottery Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Louis, Missouri
December 14, 2023

MISSOURI STATE LOTTERY COMMISSION
(An Enterprise Fund of the State of Missouri)

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
June 30, 2023

No findings in the current year.

MISSOURI STATE LOTTERY COMMISSION
(An Enterprise Fund of the State of Missouri)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022

No findings in the prior year.

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